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No. 05-381

In the Supreme Court of the United States

WEYERHAEUSER COMPANY,

Petitioner,

v.

ROSS-SIMMONS HARDWOOD LUMBER CO., INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

JOINT APPENDIX – VOLUME II

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[Vol. 6-B (Apr. 15, 2003)] [Testimony of Roy Burke]

* * *

[Tr. 11] Q. So you don't know anything about contracts that were signed in 1998 just as another competitor was starting up a mill in Northwest Washington?

A. I know about some alder contracts, yes.

MR. HAGLUND: Okay. Let me ask that you be handed Exhibits 432 and 433.

MR. SIMON: Objection. Beyond the scope of the direct, Your Honor.

THE COURT: Let me look –

MR. HAGLUND: This is to explore bias, Your Honor.

THE COURT: I'll allow it, within limits, if it is limited to that. I need to see the exhibits, though, before I make a final ruling.

(Pause in proceedings.)

THE COURT: I'll permit very limited examination on those.

Do you know about those contracts, Mr. Burke? Were you aware of them?

THE WITNESS: Yes.

THE COURT: All right. You can inquire very generally as to what they are, not in detail.

BY MR. HAGLUND:

Q. Is it a fair statement that these contracts committed all of the volume from Crown Pacific tree farms in Northwest Washington to Weyerhaeuser?

[Tr. 12] MR. SIMON: Objection, Your Honor. That is not general inquiry about the contracts.

THE COURT: To the extent that he knows, without referring to them, he can testify.

THE WITNESS: I am pretty sure these contracts were done by my former boss; but, yeah, we had contracts with Northwest Hardwoods.

BY MR. HAGLUND:

Q. And you were aware that those contracts in '98-'99, committed the alder saw log volume from –

THE COURT: I'll sustain objection to counsel's statements about what the contracts called for.

BY MR. HAGLUND:

Q. Okay. Just a couple other questions. Mr. Burke, isn't it true that you got a call from Bill Nelson shortly after this lawsuit was filed?

A. He called me wanting to buy some logs.

Q. Didn't he tell you about –

MR. SIMON: Objection, Your Honor, hearsay.

THE COURT: Objection will be overruled. You may answer it.

THE WITNESS: I am pretty sure he didn't say anything about it.

BY MR. HAGLUND:

Q. And you didn't tell him that you couldn't afford to [Tr. 13] testify against Weyerhaeuser?

A. No, absolutely not.

Q. Your company has been on the sales block for the last two-and-a-half years, hasn't it?

A. Oh, yeah. That's common knowledge.

* * *

[Vol. 6-B (Apr. 15, 2003)] [Testimony of Robert Taylor]

* * *

[Tr. 19] So as I moved to the east United States and the eastern business, those same criteria held true, the same processes, which was excellent for me. And then when I was appointed in the role I am today in the late 1990s, it gave me an opportunity to then go to customers, new customers, and really sell the value of that product, but know how alder substitutes in and out with a number of species.

Q. Would you describe that for us a little bit.

A. Well, you know, the customer really determines what species they use. It's all about style, it's about taste, it's all about experience and look for them, as well as how well it machines and how well they are able to control their costs, and make a good margin of profit by processing it.

You know, the alder clearly can be substituted for other products as well as be substituted out based on those styles and trends. So when we are around the world, what we're trying to do is understand the customer, understand what they're trying to produce, and look to see how we can fit a product into their need.

And sometimes that's alder and sometimes it's other products for alder, so it's a real advantage we have by being close to that customer to understand what their needs are.

Q. Now, there has been testimony in this trial about various technological improvements that have been made at [Tr. 20] Northwest Hardwoods, and other witnesses have gone into detail, the various pieces of machinery, how they're operated. Let me ask you from a big picture perspective, why does Northwest Hardwoods make the investments it makes?

A. Well, it starts with understanding where value is created; and, secondarily, understanding the resource that's

available and trying to put equipment in that extracts the most value out of that resource.

Starting with a sawmill, if logs are small and crooked, you have to put equipment in that maximizes the value and the amount of lumber that comes out of that log in order to then protect that as it moves through the entire manufacturing process. We also install technology to help improve the decision by the employee that's handling the wood.

Unlike softwood lumber, every employee that handles a piece of hardwood is making a decision based on the value of a piece of lumber, that log, that block. And it's important that we provide those tools to the employee, whether it be equipment and/or education in order for them to protect the value and get more value out of it, so we really design our mills in order to do that.

And then hopefully if we've done our job well, and sometimes we don't do our job as well as we could, we limit the amount of – of loss from the time that log lands at our [Tr. 21] facility until the time the customer receives the lumber. We take ownership during that entire process. We will not pass on to the customer any defects, to the best of our abilities.

Q. Let's change topics a little bit and talk about some of the experiences that Northwest Hardwoods was seeing in its lumber sales market in the late 1990s, in particular directing your attention to the latter part of 1997, early part of 1998. What was the company experiencing?

A. There was a lot of – I guess turmoil might be a good word, going on in the world marketplace. We had an Asian crisis beginning to occur, and the demand primarily in Japan was reducing. Their economy, their bubble economy had kind of burst and things were tough there.

In Europe, things were also slowing down, and customers that would use alder for the building of furniture needed less.

And then the third component was the eastern U.S. furniture producers were starting to move offshore. And all of those things started to occur, even though minor, some of those, and we had to change our focus on customers that we sold to.

Q. Tell us about that. What exactly were the changes? What were the changes that Northwest Hardwoods started making in response to this economic situation?

A. Well, first of all, the cabinet industry in the United

* * *

[Tr. 30] A. From – in the early '90s was eastern business vice president.

Q. And from time to time, would you have meetings with Arnold Curtis and the managers of Northwest Hardwoods?

A. On occasion, but they didn't occur very often.

Q. Did you hear Mr. Curtis or Mr. Hohendorf ever express an opinion that Northwest Hardwoods should maintain high log prices?

A. Never.

Q. In the year 2000, were there any recommendations from Weyerhaeuser, or decisions made with respect to modifying the accounting of corporate and business level costs?

A. Yes.

Q. What happened?

A. Yes. All selling general administration costs were asked to be kept at the business level, and the units, the manufacturing units were asked only to keep track of those costs that they controlled.

Q. Did that have – was that just for Northwest Hardwoods?

A. No, that was the entire company. And it was for standardization, so that when businesses were being compared against, everyone was using the same accounting principles.

MR. SIMON: Your Honor, we ask that a copy of the juror notebook be given to this witness.

THE COURT: He has it, I think.

* * *

[Tr. 33] business, meaning why should you be in business. And the second part included strategy and rationale, which is, what can do you and how attractive of an industry are you in. Then you look at the execution of that strategy and the outcome.

All of which each business went through in order for the Weyerhaeuser senior management team to understand what businesses should be a part of the company, what businesses need to improve to be industry leaders, because the goal is to be an industry leader, and then what businesses need to be just held or divested.

Q. Some of those documents contain some statements about what some other hardwood mills in the Pacific Northwest were doing or experiencing or facing. First of all, where did that information come from?

A. It was all estimates. In the western U.S., there isn't any place to find data regarding even production of lumber, so everything is just looking at our best guess estimate, using whatever resources we had available to us. It's very difficult to come up with actual numbers. It was strictly an estimate for the western United States.

Q. Now, what's the point or purpose of making these estimates about what some of the competitors' situations might be?

A. Well, for us, what we were more concerned with was what [Tr. 34] our business units were doing and how to im-

prove those. Because, again, our goal was to be number one or two in our industry, in the hardwood industry, and that was our objective, to display how we were performing.

Q. Now, we've been talking about the investment direction setting and the company level. Was there also something called an annual planning process within Northwest Hardwoods?

A. Well, it wasn't just Northwest Hardwoods. It was the entire company.

Q. Would you just explain what that is and how it differs from IDS?

A. The IDS was done in springtime to provide the Weyerhaeuser senior management team information by mid-year, so they could begin to set their goals. The annual planning process occurred in October, and that was for each business to plan for the following year.

The company would do that so they could roll all the businesses up and then go to Wall Street, you know, to indicate how performance and forecast looked. There was a lot of pressure to predict what future earnings were going to be.

Q. Now, who participated at Northwest Hardwoods in this annual planning process? Not the Weyerhaeuser company-level IDS, but who were some of the participants in the annual [Tr. 35] planning process?

A. As far as the annual planning process, it was really done at the mill levels, and then it was rolled up to Northwest Hardwoods' leadership team.

Q. And that would include you?

A. Yeah.

MR. SIMON: Thank you. I have nothing further.

THE COURT: Cross-examination.

MR. HAGLUND: Thank you, Your Honor.

CROSS-EXAMINATION

BY MR. HAGLUND:

Q. Mr. Taylor, would you agree that if the alder resource in the Pacific Northwest were to be off limits or to disappear, that the existing hardwood industry here would also disappear?

A. Well, you know, the mills that we have today, are constructed with equipment to handle the alder and maple resource. I – I know we've run a few tests on softwoods, such as hemlock, but because we have never had a need to run other softwood species –

THE COURT: His question related to hardwoods. The hardwoods industry would disappear?

BY MR. HAGLUND:

Q. Was the answer yes?

A. If there were no other hardwoods to run, yes. Then

* * *

[Tr. 39] Q. And Weyerhaeuser maintains detailed aerial and other inventories of the entire forest resource in the Pacific Northwest, correct?

A. They keep track of inventories, that's correct.

Q. Quite closely, correct?

A. They usually do that every three to five years, yes.

Q. And you were involved in reviewing these materials before they were actually shared with senior management that was above you, correct?

A. That's correct.

Q. So you had input into what is Exhibit 400, correct?

A. That's correct.

Q. Okay. Let's move to Exhibit 405. Are you familiar with this document? It is also in your book, and I'll blow it up more in a moment. This is 405.

A. Yes.

Q. Is Del Fisher in the upper right-hand corner?

A. That's correct.

Q. And was this – this shows – oh, I don't see a date. Was this also prepared for this strategy session you've described?

A. Yes. This is – it appears, based on the comments, this is 1999.

Q. Well, wouldn't it have been 2000 if your third bullet

* * *

[Tr. 43] Q. I'll restate the question. Isn't it true that your senior management team of Northwest Hardwoods gave two $1,000 recognition awards at the end of 2000, and one of those was to Gene Novak?

A. I – I would have to check that. I can't remember three years ago what that recognition was.

Q. Well, do you remember that you did give one to Gene Novak?

A. I do not recall that, no.

MR. HAGLUND: Okay. May I approach the witness?

THE COURT: You may.

THE WITNESS: Okay. Yes, I do remember this.

BY MR. HAGLUND:

Q. Would you read what's stated in your – is that your handwriting in the lower left-hand corner?

A. That's correct.

Q. Could you read what you wrote to Mr. Novak.

A. "Recognition award of $1,000 will appear on the 12-29 pay period. Thanks for your support and assistance." And this was to the Project Grizzly team.

Q. And Mr. Novak was part of that team?

A. That's correct.

Q. And he got a thousand dollar bonus at year end as a result?

A. That's correct. According to this, yes.

* * *

[Tr. 50] weren't added until after you bought Coast Mountain?

A. That's not correct.

Q. Isn't it true, Mr. Taylor, that the forest licenses were not a significant factor in Weyerhaeuser's valuation of the purchase – in Weyerhaeuser's valuation of Coast Mountain?

A. That's correct.

MR. HAGLUND: Now, if the witness could be handed Exhibit 482.

(The clerk complies.)

BY MR. HAGLUND:

Q. Now, Mr. Taylor, I want to ask you some questions about the procedures for establishing transfer pricing for alder saw logs supplied to the Northwest Hardwoods mills from company lands.

Is it a fair statement that it's your understanding that those transfer prices are to be set

quarterly at fair market value as reflected by sales to – purchases from third parties?

MR. SIMON: Your Honor, I object. It's beyond the scope of direct on this line.

THE COURT: The objection will be overruled.

THE WITNESS: It's my understanding that prices are set based on the market.

BY MR. HAGLUND:

[Tr. 51] Q. Transfer prices are set based on market, is your understanding?

A. That's correct.

Q. Okay. I'd like to – you've got 482. It's a 66-page exhibit. I am only going to be dealing with a few pages, but I need to tell you what the numbers are. If you could first turn to Page 13.

First, Mr. Taylor, let me tell you that Exhibit 482 consists of the year-end profit and loss statements for each of your hardwood – your alder sawmills in Oregon, Washington and British Columbia for the period of 1997 through 2001. Each one is a two-page document and all of them are contained in this exhibit.

I assume you're quite familiar with these, and the format. Is that a fair statement?

A. That's correct.

Q. And the first one I want to show you is for the first year that you owned Coast Mountain. And you call it your Delta, BC, sawmill, correct?

A. Ah, Delta, BC, correct.

Q. And here, if we blow this up a little bit, I want to go to the middle where the logs are. We can see two major

categories of logs, is that correct, third party and Weyco or Weyerhaeuser.

A. That's correct.

[Tr. 52] Q. Now, the third party logs would be those that your company is buying from outside suppliers; is that right?

A. I – I am not familiar with the exact category. I'm assuming that that's correct. There is a difference between Weyerhaeuser and then third party.

Q. And the Weyerhaeuser category would be those coming from either private hands like those you acquired from MacMillan-Blodel or the forest licenses you acquired from Coast Mountain?

A. That's correct.

Q. Okay. And if we move across here to the far column, which shows the year-end data, wouldn't you agree?

A. Correct.

Q. If you look on the screen, what we see in 2001 is that you bought 22.4 million board feet from third parties; is that right?

A. That's correct.

Q. And the average price that you paid for per thousand board feet is $282 per thousand board feet, correct?

A. Right.

Q. And the second category, which is the private company wood or the forest license logs, you bought 9.8 million, or you supplied 9.8 million board feet of those logs to your Delta sawmill in 2001?

A. Correct. That's what this says, yes.

[Tr. 53] Q. And the transfer price that you recorded in your year-end financial statement was $282; is that right?

A. That's what this says, yes.

Q. So at least in British Columbia in 2001, there was no differential between the transfer price and the third party price on a year-end all average basis, correct?

A. Other than the handling costs.

Q. Okay. Other than a very small difference between handling costs?

A. Uh-huh.

Q. Okay. Now, I'd like to have you turn to Eugene, which is Page 45 in this document. Some of the page numbers are sideways because of constraints in the copy.

Now, would you agree with me, Mr. Taylor, that this is the Eugene mill year-end Page 2 statement for the financial performance of the Eugene sawmill?

A. That's actually Page 1.

Q. Okay. That's Page 1. You're right. Page 1 of the two-page year-end financial statement?

A. Correct.

Q. Now, if we go down to the same section of logs, do we have these same two categories, purchased third party, purchased Weyerhaeuser or fee timber?

A. Yes.

Q. And I've marked those with a highlighter on the screen; [Tr. 54] is that right?

A. That's correct.

Q. Now, if we move across, do we see here, Mr. Taylor, that the third party volume that you bought from third parties for the Eugene mill in 2001 was 32.1 million board feet?

A. Correct.

Q. And you paid an average price of $449 a thousand for that?

A. For the 12 months, yes.

Q. Okay. And then when we look at what was delivered to the Eugene mill from your company lands, it was 3.6 million board feet, correct?

A. For the 12 months, yes.

Q. And the average price is $436?

A. Correct.

Q. And that's a differential of just $13?

A. For the year average.

Q. For the year average.

A. Right, but not for each individual purchase.

Q. I agree. Just the year-end average $13 per thousand differential year-end.

Okay. Now, let's turn to Longview 2001, which is Page 10 of this document, Exhibit 482. Would you agree that Page 10 of this exhibit is the Longview mill, Page 1 of the [Tr. 55] year-end financial statement for 2001?

A. Correct.

Q. We go down to the same area in the first column. Do we see the same two categories of third party open market logs and company logs?

A. All logs, right.

Q. Well, we see two different categories, right? The same two we saw before.

A. We don't separate saw logs from pulp logs, so it's all logs.

Q. I understand. Then if we go across for Longview in 2001, it is correct that you bought 23.2 million logs on the open market for the year? You need to answer out loud.

A. Yes.

Q. And the average cost was $537, correct?

A. That's correct.

Q. And then you supplied from company lands 11.1 million board feet, correct?

A. Correct.

Q. And the average price for the year was $362?

A. For all logs, yes.

Q. And let me represent to you that's a $175 differential?

A. There is a difference in price between saw logs and pulp logs.

* * *

[Tr. 66] Q. All right. And then you also made a statement in response to Mr. Haglund, you didn't see a relationship between the alder lumber market and the alder log market?

A. That's correct.

Q. Let's take those through and I'd like you to explain what you meant. First, why did you disagree with him when he asked, "Can Northwest Hardwoods control the price of logs?"

A. Well, I view the lumber market and the log market different. So in the logs, it's driven by the softwood harvest, and there are a lot of decisions that take place by a landowner because of the softwood volumes on there. The hardwoods come along after. So the volume in value is determined on what that softwood harvest is.

[Vol. 6-B (Apr. 15, 2003)] [Testimony of Vicki McInnally]

* * *

[Vol. 68] Eugene Novak. I take it you know who Mr. Novak is.

A. Yes.

Q. Did you work with Mr. Novak, and in what capacity? Tell us a little bit about that relationship just generally.

A. Gene Novak was on our financial lead team. He was a business analyst for Northwest Hardwoods. He did report to me for the duration of my stay there, which was three-and-a-half years.

Q. Which time period?

A. From November 1998 through August of 2001.

Q. And directing your attention to the time period of early 2001 – or, frankly, let me broaden it. From any time that Mr. Novak reported to you during that time period when you were controller of Northwest Hardwoods, did you ever make any statements at all to Mr. Novak that it was Northwest Hardwoods' business strategy or objective to have or maintain high log prices?

A. I never made a statement like that, absolutely not.

Q. As a matter of fact, is it Northwest Hardwoods – or was it ever Northwest Hardwoods' strategy to maintain high log prices during your tenure there?

A. Never. Our strategy is to manage our log costs. The very first I heard about that supposed conversation was in Gene Novak's deposition several months after he left the company.

* * *

[Tr. 77] Q. I understand that. And when he came to town, was it unusual for him to meet with you in your office?

A. Occasionally we would meet. Typically we would meet in Portland because I was traveling there more often.

Q. Let me put it this way: Did Mr. Novak ever meet with you in Federal Way in your office?

A. Yes.

Q. And was it just the two of you in that office?

A. There may have been several times when it was just the two of us.

Q. Does that separate Mr. Novak from any employee that reports to you?

A. No.

Q. Many times they would come into your office and have a discussion?

A. Very, very often, yes.

Q. And in 1998-1999 time period, do you ever remember Mr. Novak at one of these meetings explaining to you about this disconnect between what he considered was happening to the alder lumber prices and alder log prices?

A. In the '98 to '99 time frame?

Q. Yes.

A. We had several discussions. In '99, I asked Gene to help put together a model on the western log resource activity. And for several months in '99, the latter part of [Tr. 78] '99, he was working on a model that showed all of the logistics flows from the resources, the standing timber to each of the logs –

Q. He was trying to check out –

A. – each of the plants.

Q. I'm sorry. He was trying to figure out the problem, right?

A. Yes. This is a model that's very familiar that we use in other geographies, and I asked Gene to help put one together for the west. Because he worked on a similar model in our northeast and our southeast operations. I said, "We needed to get – because it's such a complex set of mills and sourcing areas, that would help if we had a model put together."

So Gene and I did have conversations about that model. As a matter of fact, we took it for a trial run. It would have been in the very end of '99 – or actually the end of 2000.

Q. My question simply was: Mr. Novak was familiar with this model then, obviously?

A. He was putting it together.

Q. And he was familiar with it from prior assignments, correct?

A. Yes.

Q. Now in this time frame that we have been discussing, [Tr. 79] in 1998 and 1999, did Mr. Novak ever come in to you and ask, "Why are log prices so high when we control so much of the market?"

A. I don't remember any of those specific conversations.

Q. In general, was that the topic of any of the questions he had for you?

A. It would have been more in the latter – as we were investigating our strategy for 2001 is when we had more conversations.

Q. How about 2000? In 2000, would he have had a question similar to what I just asked?

A. The end of 2000 and early 2001 is when we were putting all the information together and we were having a lot of conversations about how to manage our log costs down.

Q. In that time frame, Ms. McInnally, do you recall Mr. Novak coming in to you and saying, "Why are log costs so high when we control so much of the alder log market?"

A. No, I do not remember him asking that.

Q. And you never said, "We have a strategy in connection to alder logs"?

A. I've never said anything to that effect. I would never say anything to that effect. That was fictional.

Q. Is it your opinion that Mr. Novak, after he had some personal problems with his divorce, that he never did any good work for Weyerhaeuser again after that?

* * *

[Tr. 83] THE COURT: All right. Any further questions of this witness?

BY MR. KELLEY:

Q. Ms. McInnally, in 2000 and after, did sales expenses go away in terms of allocation for Northwest Hardwoods mills?

A. We had several changes in how we allocated overhead costs each year. In 2001, they entirely were held at the business level. In 2000, which you're referring to, we retained the IT costs and the business management costs at the business level, because it was difficult to allocate those costs based on units of production.

Q. But the expenses still existed, right?

A. That's true. They were declining, but they still existed. We were asked to keep our accounting processes as simple as possible, and by the time we put together the plan for 2001, all of the costs were held at the business level.

Q. And now Weyerhaeuser as a parent corporation carries significant debt, does it not?

MR. SIMON: Objection, beyond the scope of the direct.

THE COURT: She testified, as I recall, about the allocation and the savings of the money necessary for the corporation, Weyerhaeuser.

MR. KELLEY: Relates to allocation, Your Honor.

THE COURT: I will permit it.

* * *

[Tr. 89] THE COURT: You may continue your cross-examination of this witness.

MR. KELLEY: Thank you, Your Honor.

Your Honor, may I approach? I have some blowups of some exhibits.

THE COURT: You may.

BY MR. KELLEY:

Q. Ms. McInnally, I am going to ask you some questions about 400 and 405. Maybe it is easier than me trying to put them on the screen if you could look over here, please. Can you see that?

A. Yes.

Q. Are you familiar with Exhibit 400, Ms. McInnally?

A. Yes, I put that together in the spring of 1999.

Q. You put that together?

A. Yes.

Q. Yes. And on the primary contributors with you on this exhibit, were they not David Weyerhaeuser?

A. David Weyerhaeuser.

Q. Rob Taylor?

A. Rob Taylor.

Q. Del Fisher?

A. Jerry Martin, Del Fisher.

[Tr. 90] Q. And this was to be used, as I understand it, in 1999, which is called the IDS seminar or meeting?

A. Yes.

Q. And that's a report where Northwest Hardwoods is and where it's going into the future, correct?

A. Correct.

Q. Now, have you seen the original of this document without the redactions lately?

A. Not lately. Not for a couple years.

Q. Well, you put it together. Let me ask you, do you recall specifically what has been redacted by your lawyers from this document?

A. I can tell that the outlook is missing, future years, and typically we put key bullets at the top.

Q. Do you recall specifically what the verbiage was in these key bullets?

A. There's a second exhibit that has one of the bullets on it, next page. Industry consolidation has occurred in the west. Northwest Hardwoods is a consolidator.

Q. Anything else you recall about the bullets on Exhibit 400?

A. I don't recall what they said.

Q. Do you recall on the outlook where the graph went and what Northwest Hardwoods' share was projected to be in the 2003 to 2007 time frame?

[Tr. 91] A. The intent of this chart was to show the supply outlook, so this is a chart that is intended to give a forecast of where the harvest levels are going.

Q. And my question only was: Do you recall in the 2003 and 2007 time frame, what share of the market is represented in Exhibit 400 for Northwest Hardwoods?

A. I don't recall the share after what's shown there. I can't recall what that says. It has been several years.

Q. Then if you take a look, please, at Exhibit 405, you also, did you not, prepared this document?

A. Yes. This is – this is the way that we show our competitiveness for our strategic review. This one is for Washington state.

Q. Did you put this Powerpoint presentation together?

A. Yes, I did, and the analysis, the numbers behind it.

Q. And I understand that you and the same individuals I mentioned, Mr. Weyerhaeuser, Mr. Taylor, Mr. Fisher, were the wordsmiths, if you would, of these bullet points?

A. What you're looking at, this is the note pages for the speakers, so when we're presenting this, typically what the senior team would have seen is just what is in the box, the slide up above. And so these were notes below for Dale to, as he was explaining the chart, there were notes that he could refer to.

Q. This was on the screen for the entire audience?

[Tr. 92] A. And in their notebooks.

Q. And these were Mr. Fisher's talking points?

A. Correct.

Q. Do you recall what's been redacted on this exhibit from No. 405?

A. We may have had some letters in there representing different competitors.

Q. Do you recall specifically that you did have, in fact?

A. I don't recall – I don't recall.

Q. Let me see if you can explain for me exactly what this shows. The zero to 100, that would show a profit margin, would it not?

A. On the left axis is the net margins, which is the profit margin. It's the earnings of that plant divided by the lumber that they sold. And so it goes from zero to 100. You could see Centralia was $100 margin, correct. That is the left axis.

Q. And the bottom axis, this is what?

A. On the bottom that shows the log supply for that time period that we're working with. In this case, it is roughly 250 million feet of log availability in that area servicing those mills.

Q. Were there any projections in terms of where the supply of the alder resource was going on Exhibit 405?

A. No, that's – that's more of a current view snapshot, [Tr. 93] where we're at today. The intent of that is to show a balance where you're at with your supply that's available versus the capacity that you have in the area. We do that with all of our businesses.

Q. You're looking at a snapshot of where you are now, not what the forecast is in the years to come?

A. Correct. This isn't long term.

Q. Ms. McInnally, would it be any assistance to you in recalling specifically what was redacted from these two documents if you saw the original of the document unredacted from your lawyers?

MR. SIMON: Your Honor, we have an objection to this that I would like to be heard outside –

THE COURT: All right. You can do that.

Any further questions?

MR. KELLEY: Yes, Your Honor. I would like to refresh her recollection.

THE COURT: All right. We will call her back in the morning if necessary.

MR. SIMON: Your Honor, this witness is from out of town and left two teenage children at home.

THE COURT: You may show me then the originals and I'll make a determination.

MR. SIMON: Well, I don't have them, he has them. I have a different issue that I want to raise with the Court [Tr. 94] about that and this procedure.

THE COURT: Ladies and gentlemen, we'll excuse you for a little extra recess for a few minutes. Sometimes these things do happen.

(Open court; jury not present:)

THE COURT: All right. What's the problem?

MR. SIMON: Your Honor, the problem is that when these documents were first delivered to Mr. Haglund by Mr. Novak, who took them from Weyerhaeuser, they contained competitively-sensitive information dealing with other competitors. At the time, Mr. Michael Haglund was a – and we're out of the presence of the jury, Your Honor – was a part owner and chairman and member of the Board of Directors of Washington Alder.

THE COURT: I recall that.

MR. SIMON: We objected to Mr. Haglund seeing this competitively-sensitive information.

THE COURT: I understand that.

MR. SIMON: There was no objection made at the time by Mr. Haglund on that point, no motion to compel at all. And, therefore, Your Honor, I think the jury will draw an er-

roneous inference when the jury hears there are names of other competitors on there of why we didn't provide it.

So I have two points: One is I think that that information should be provided and disclosed under seal and [Tr. 95] confidentially so our other competitors don't find out about that, but more significantly, Your Honor, I would like an instruction to the jury that the reason why it says, "redacted," and they're correct, my office redacted it.

THE COURT: I will find a way to tell them that, so you won't be tarred with that brush. And my recollection is that in some of the later arguments, you said that since Mr. Haglund was no longer involved, you didn't have any problem with it, so the real issue now is to make sure the jury doesn't draw any prejudice from the fact that it was redacted.

MR. SIMON: And the only way, Your Honor, the only way in my opinion, and I submit this to the Court quite sincerely, the only way for the jury to understand that and accept that is for the jury to understand that at the time they were redacted, from Mr. Haglund's view, it was because of his connection with an active ongoing competitor in Washington.

THE COURT: We're not going to do that. I can find a way to tell them it was redacted and the reasons it was redacted were valid at the time and they aren't any longer; and, therefore, they're being disclosed voluntarily by the defendant.

MR. SIMON: And the record reflects my disagreement with that and my objection. I appreciate the [Tr. 96] opportunity to put that on the record.

THE COURT: Very well. Let's see if there are any other arguments now while we're at it. You're going to show those original exhibits to her –

MR. KELLEY: Correct, Your Honor.

THE COURT: – to refresh her recollection. And I will tell the jury at the time you do that the reason they were redacted originally, that purpose is not in effect any longer, it should not be construed in any way against the defendant, the fact that they were redacted.

MR. KELLEY: Your Honor, these documents remained in this form after Mr. Haglund no longer had any interest in Washington Alder whatsoever.

THE COURT: I understand that. You didn't particularly ask for me to relieve the redaction or I might have done it. Anyway, let's get on with the testimony. The jury can come back in now.

You'll want these under seal, I assume, still?

MR. SIMON: Yes, Your Honor.

THE COURT: Okay.

(Open court, jury present at 3:30 p.m.)

THE COURT: Ladies and gentlemen, you've heard a little bit about some redaction on some exhibits. I want you to know the reason those were redacted by the defendant when they were disclosed originally is no longer in [Tr. 97] existence anymore. It shouldn't have anything to do with holding anything against the defendant that they have been redacted. I have now ordered that the redaction be lifted, but you should not hold against the defendant anything for redacting them originally, because that reason is now gone.

All right. You may proceed.

MR. KELLEY: Thank you, Your Honor.

THE COURT: And we'd better mark these "A" numbers, so we keep these straight.

MR. KELLEY: Your Honor, I have previously marked them as our next document, 485 and 486.

THE COURT: Let's give them "A" numbers because they're the same exhibits without the redaction. So 400 will be 400A; is that right?

MR. KELLEY: Correct, Your Honor, and 405A.

THE COURT: All right. Those are the only two?

MR. KELLEY: Yes, Your Honor.

THE COURT: All right.

MR. KELLEY: May I approach again, Your Honor?

THE COURT: You may.

And I assume, once again, other than as stated, there is no objection to 400A and 405A.

MR. SIMON: Yes, there is, Your Honor. With respect to 400A, we're going into post-2002 data, which is contrary to this Court's ruling.

[Tr. 98] THE COURT: All right. We'll have to get that out. We'll have to stay within – this case involves everything up to December 31st, 2001, so we'll have to find a way to get that information beyond that time out of the exhibit. Assuming that's done, I assume 400A and 405A can be received subject to your previous objection.

MR. SIMON: Subject, yes.

THE COURT: They'll be received.

(Plaintiffs' Exhibit Nos. 400A and 405A were received.)

BY MR. KELLEY:

Q. I'd like to hand you 400A. Would you take a look at that document, please.

A. Uh-huh.

Q. And before I ask you if that refreshes your recollection, let me just repeat, this is a document that you prepared for an IDS presentation in 1999 looking forward, correct?

A. Yes. I was new to Northwest Hardwoods, so I facilitated putting it together, the chart.

Q. In 1999?

A. Uh-huh.

Q. Now, does looking at 400A refresh your recollection, Ms. McInnally, in terms of what the projection was for the 2003 to 2007 time frame?

[Tr. 99] MR. SIMON: I object, Your Honor. If evidence is coming in post-2002, then I object to that, Your Honor. And I am not quite sure that the Court's ruling makes clear to this witness what is and is not permitted.

THE COURT: What's your position about why we're talking about 2007 now?

MR. KELLEY: Because it was a projection made, Your Honor, in 1999 going forward in terms of what the market was and what share they wanted of that market.

THE COURT: I will permit that, but you should understand the case is about acts that occurred only up to December 31st, 2001. This projection was made before that time and so I will permit it.

Go ahead.

MR. KELLEY: Thank you, Your Honor.

BY MR. KELLEY:

Q. Ms. McInnally, now, the next column. Does a review of Exhibit 400A refresh your recollection as to what the projected share for Northwest Hardwoods was during the next

five-year period?

A. Yes. What the next column shows, the main intent is that we have –

Q. I just want to know what the column says. I am sure Mr. Simon will ask you additional questions in followup.

What does this column reflect in terms of [Tr. 100] Northwest Hardwoods' market share, 2003 to 2007?

A. We're showing a supply share and it is different than market share. And the share is 85 percent. It is due to the log costs.

THE COURT: It is 85 percent of the supply of logs available or – you said supply, what –

THE WITNESS: What's happening is we were projecting declining availability primarily due to all the regulations that were unknown at the time.

THE COURT: Declining ability of logs?

MR. SIMON: Availability, Your Honor.

THE COURT: Availability, excuse me.

THE WITNESS: '99 was the time frame where all the salmon regulations were coming into play, and there was a huge amount of uncertainty. And so those of us who have capacity were concerned about what will the regulations do, and stream-side management.

At this time this chart was put together, we did not know, so you can see at the bottom, we took some projections about how much will be available at that time. And we were concerned because it was an unknown and we projected that there may be less available.

THE COURT: Let me get back to my question. That last column is talking about an estimated percent share of the logs, alder logs; is that right?

[Tr. 101] THE WITNESS: On the axis it's showing the logs that will be available, each harvest for each year. And then what we're interested in is, because our mills are becoming more efficient –

THE COURT: All I want to know is what that last column is. What does it say?

THE WITNESS: The total log supply availability, and of that, how much we project Northwest Hardwoods' will be.

THE COURT: Okay. Supply of log availability. That's what it means.

THE WITNESS: Yeah, it's supply.

THE COURT: All right. Go ahead. Excuse me, Mr. Kelley.

MR. KELLEY: No problem, Your Honor.

BY MR. KELLEY:

Q. In 1999, you projected that Weyerhaeuser would go over 85 percent of the supply share in this time frame, 2003 to 2007?

A. It was a function of having less available and our mills becoming more efficient.

Q. And having said that, the projection was 85 percent of the supply share?

A. That was our projection at the time, and we were very concerned about that.

[Tr. 102] Q. Let me hand you 405A, and ask you the same question, Ms. McInnally, if that refreshes your recollection in connection with certain information that was previously redacted.

A. I can't tell by looking at this chart what year it is.

Q. Okay. I think you testified earlier this was from an IDS in 1999?

A. 1999.

Q. Does that sound accurate?

A. Yes, but it doesn't have a date on it. We did very similar charts in '99 and 2000.

Q. A similar chart like this was available in both 1999 and 2000?

A. Yes, that's correct, but they were slightly different. We ended up putting Washington and Oregon together for simplicity in the following year, so this must be 1999.

Q. And 405A, does it refresh your recollection in connection with what these particular redactions were?

A. Yes, we had the –

Q. Let's start with this one.

A. Those days, specifically what it says? It says, "Other capacity."

Q. The next box, Ms. McInnally?

A. Washington Alder. These are the names of plants in the area.

[Tr. 103] Q. And the following box?

A. Ross.

Q. Based on your understanding, would that be Ross-Simmons?

A. Yes.

Q. The next box, ma'am?

A. Pacific.

Q. This right here is Pacific?

A. Right. I am not familiar with that business, Pacific.

Q. And there is a line right here. What does that indicate?

A. Well, it looks like what's happened is there's another line that you're missing.

Q. Does this line continue up, ma'am?

A. Yes, it does. And it says, "2012 supply."

Q. This line does?

A. Yes, uh-huh.

Q. Or does this line?

A. No.

Q. The line immediately next to Ross-Simmons –

A. No, go over. Let's see. Well, there are two lines on here that you need to draw out.

Q. If you identified this as Ross-Simmons, is there a line that has a supply indication that goes up immediately next to Ross-Simmons?

[Tr. 104] A. Yes, and that's called current supply.

Q. Current?

A. Which is intended to mean that there is roughly 200 million feet of saw logs, and all the rest of the capacity is pulp logs.

Q. And then is there one more projection in terms of the supply into the future?

A. That's the second line.

Q. Would that be here, ma'am?

A. Yes.

Q. And that goes to 2012?

A. Yes.

Q. So, now is your recollection refreshed that you did, in fact, in 1999 at this IDS, project forward in terms of what the supply would be?

A. Yes. This is similar to the other chart. Here we're putting where the supply is in the future.

Q. And one last question, this box here, who is that?

A. That's Cascade. Earlier I stated that this was a certain point in time, and I did not recall putting timelines in there –

Q. I understand.

A. – until I saw this.

Q. So in 1999, when this document was created, the current supply showed that there was not enough supply for all of [Tr. 105] the competition in the marketplace; is that correct?

A. Actually, that is not correct, because all those mills were running. There's also quite a few puip logs, so there is other volume that's out there that is maybe smaller in diameter which allowed the remaining capacity.

Q. That's a good point. Ross-Simmons now, you know, is no longer operating; is that correct?

A. That's what I understand.

Q. You know that, don't you? How about Pacific, do you know whether or not they're still operating?

A. I don't know.

MR. KELLEY: That's all I have, ma'am. Thank you.

THE COURT: Further questions?

MR. SIMON: Yes, Your Honor. May I inquire of the Court, though? I want to comply with the Court's rule, since Mr. Kelley just asked whether or not those companies are still operating, am I now free to go into what happened post-December 31, 2001?

THE COURT: No, except as to projections based upon data made available before December 31st, 2001.

MR. SIMON: Even though Mr. Kelley just asked about what's happening now with his last two questions?

THE COURT: Whether they are still in existence. I will let you – that's a good point. I will let you go into that to the extent it talks about what is available

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[Vol. 6-B (Apr. 15, 2003)] [Testimony of David Kurtz]

* * *

[Tr. 110] A. You mean the actual prices for the products?

Q. Yes.

A. Quarterly. It is usually quarterly. Every now and then, they might have gone to monthly, but generally quarterly price negotiations.

Q. And how much volume are we talking about, first with respect to Weyerhaeuser selling pulp logs to Georgia Pacific?

A. 40,000 green tons.

Q. And what about the volume that was being sold to Northwest Hardwoods from Georgia Pacific in Oregon?

A. It was 80 percent of the annual harvest, and that harvest would fluctuate, but it was probably three to five million feet.

Q. Why was it just 80 percent, do you recall?

A. We generally try not to sell 100 percent. Kind of like not putting all your eggs in one basket. We try to sell a percent and that way we have that remaining 20 or 30 percent to sell on the open market to make sure we are getting a correct price. It doesn't have to go there, if we think we're getting a good price, all 100 percent can go to the same home.

Q. Now, on a monthly basis or the quarterly basis, were those separate – were those separate selling arrangements?

A. Yes. What I had was a buyer in Washington that

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[Vol. 6-B (Apr. 15, 2003)] [Testimony of Larry Bray]

* * *

[Tr. 117] logs to the Ross-Simmons STEDCO Joint Venture?

A. No. We've had a history ever since I started or even before that that selling logs month to month, on a month-to-month basis, and that's always the way it had been there.

MR. JOHNSON: No further questions.

THE COURT: Cross-examination.

CROSS-EXAMINATION

BY MR. HAGLUND:

Q. Isn't it true that after this lunch within a year you entered into – or your company entered into two successive one-year contracts to sell 80 percent of the volume from the Toledo tree farm to – the alder volume to Northwest Hardwoods?

MR. JOHNSON: Objection, Your Honor.

THE COURT: The objection will be overruled.

THE WITNESS: Our company entered into an agreement, a buy-sell agreement, whereas, the Bellingham paper mill would get pulp wood from a Weyerhaeuser operation in Washington state, and at the same time, Georgia Pacific would sell to Northwest Hardwoods a certain percentage of their Toledo-only harvest. I think that was a one or a two year – one-year agreements.

Q. And it was devoted, in terms of what GP was selling, exclusively to the hardwood component of that tree farm, [Tr. 118] correct?

A. Could you restate that?

Q. In terms of the contract with Northwest Hardwoods, what GP was willing, agreeing to sell was 80 percent of the

hardwood saw logs generated from the harvest on the Toledo tree farm?

A. That's correct.

Q. And this was a commitment that was a year-long contract in two successive years, correct?

A. That's correct.

Q. It wasn't a month-to-month situation, was it?

A. Well, the contract was in place for a one-year time frame. But in reality what we did is we had month-to-month negotiations, and pricing would be done each month based on current market conditions and based on negotiations between a representative of Northwest Hardwoods and myself. And that's the way we've done it for the last six years.

Q. Okay.

A. In selling alder off that tree farm.

MR. HAGLUND: Could the witness be handed Exhibit 430.

THE COURT: Is this the contract?

MR. HAGLUND: Yes.

THE COURT: Mr. Bray, we just heard a witness say that the price was negotiated quarterly instead of monthly. [Tr. 119] Would that be correct?

THE WITNESS: I believe that the contract states that it would be negotiated quarterly, and that's probably what's in the first contract. The second contract says monthly. We actually did it on a monthly basis.

BY MR. HAGLUND:

Q. Now – and the close relationship with Northwest Hardwoods has continued throughout the last several years, correct?

A. The last several years, we haven't owned the tree farm.

Q. Well, I'll withdraw that question then.

Now, did Mr. Gary Schimmel ever talk with you about the contract he had discussed with Mr. Nelson?

A. I can't recall that.

MR. HAGLUND: No further questions.

THE COURT: Any further questions?

MR. JOHNSON: One question, Your Honor.

REDIRECT EXAMINATION

BY MR. JOHNSON:

Q. The 20 percent that was not sent to Northwest Hardwoods, what did you do with that 20 percent?

A. It was sold to H.R. Jones Veneer in Grand Ronde and Morton Alder, sold to other outside buyers of hardwood.

MR. JOHNSON: No further questions.

THE COURT: You may step down. Thank you, sir.

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[Vol. 6-B (Apr. 15, 2003)] [Testimony of Raymond Poppe]

* * *

[Tr. 122] regard to general inventory levels?

A. Yes, I did.

Q. And how did you go about managing the log inventories?

A. We – in larger producers of logs, more often than not, our purchase agreements are based – were done on a quarterly basis, and the smaller suppliers that weren't apt to be producing steadily on a quarterly basis, we would negotiate with them and write our purchase agreements with them as their product was – became available.

Q. As a resource manager, were you concerned about the potential for stain in logs?

A. Stain was a very significant issue with alder logs between April and October. So stain was another – or that part of the season was another concern when we were looking at controlling inventories and maintaining the supply, stain was a significant issue.

Q. From whom did you purchase logs in general?

A. From the large timberlands people, from independent loggers who bought timbers sales, from small landowners. Anyone who – who had hardwood logs to offer.

Q. We've heard some testimony in this case about negotiations with log suppliers, and the shopping that can go on between suppliers and log buyers. Are you aware of what I'm talking about?

A. I am not sure that I understand "shopping."

[Tr. 123] Q. Are there times when a supplier would come back to you and say, "Cascade had offered $5 more than you. Will you beat their bid?"

A. That was something that would occur occasionally. It was my practice not to engage in that whipsawing of prices because I'd already made an offer based on my best information and more often than not probably wouldn't produce any – any results anyway. If I understand your question, that's what I call whipsawing of the buyers, and I didn't engage in that.

Q. Mr. Poppe, did you purchase logs from Northwest Hardwoods – or did you purchase logs from Weyerhaeuser timberlands?

A. Yes, we did.

Q. And how were those prices negotiated?

A. Those were – excuse me, I came here with a cold.

We negotiated with Weyerhaeuser, Weyerhaeuser timber, at arm's length. And the market prices is what we dealt with the same with Weyerhaeuser, with Weyerhaeuser timberlands, as we would another large timberland operator.

Q. During that time frame, 1990 to 1993, relative to what you were buying from third parties, what types of logs was Northwest Hardwoods buying from Weyerhaeuser timberlands in Longview?

A. From '90, '91, we were buying a sawmill sort from [Tr. 124] Weyerhaeuser and Weyerhaeuser timberlands. Probably somewhere in '91 and probably because of the paper mill right there in Longview, we began buying the pulp logs as well. So in that frame – time frame, we bought again, beginning probably somewhere '91, we bought the camp run hardwoods or pulp logs as well as saw logs.

Q. Mr. Poppe, who did you report to as a resource manager at Northwest Hardwoods?

A. I reported to Heinz Hohendorf.

Q. Did Mr. Hohendorf ever instruct you that it was the business strategy of Northwest Hardwoods to buy more logs than it needed at Longview in order to keep logs away from competitors?

A. Never.

Q. Did Mr. Hohendorf ever tell you that you should buy logs at high prices, higher than the market, in order to raise the log prices to competitors?

A. Never.

MR. JOHNSON: No further questions.

THE COURT: Cross-examination.

MR. KELLEY: Briefly, Your Honor. Thank you.

CROSS-EXAMINATION

BY MR. KELLEY:

Q. Sir, if I understand your testimony, when you faced a situation in which a competitor might be raising what he

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[Vol. 6-B (Apr. 15, 2003)] [Testimony of Bruce Sutten]

* * *

[Tr. 128] standing timber that we utilize inside of our operating unit. I am also responsible for appraisal work and for the evaluation of any land adjustment, and land adjustment is simply where we buy land and timber and/or sell land and timber or reproduction. We are constantly either consolidating our properties or getting rid of properties that don't fit the core, so that's my responsibility.

Q. So you're a part of Western Timberlands?

A. Yes, I am, Western Timberlands.

Q. Now, as part of your duties, do you negotiate with Northwest Hardwoods' personnel on the transfer price for hardwood logs?

A. Yes, I do. In fact, I do all of the transfer prices for all the operations in the Twin Harbors area. That is one of my fundamental responsibilities. Northwest is only one of many units we have in our operation. We have western lumber business, which has three sawmills; the western veneer business, we have two veneer plants.

We have pulp, paper and packaging, a pulp mill that I negotiate transfer prices with, and Centralia Northwest Hardwoods. All of those are divisions of the corporation, Twin Harbors, Timberlands being the division that handles the land and timber, and then I have to sit down on a monthly basis and negotiate prices with all of the other individual operating divisions.

[Tr. 129] Q. So in terms of Northwest Hardwoods, with whom do you negotiate?

A. For Centralia, who I negotiate, Centralia mill which is the closest to our operation logistically, the shortest haul for our trucks, and our tree farm is actually right up against their operating boundaries, is the Centralia sawmill.

That doesn't preclude, though, if Centralia needs to move some inventory from Longview that I won't sit down and negotiate prices with Longview mill, but predominantly our production goes to Centralia. Centralia also has a pulp facility at DePaul. We split our hardwood into two essential sorts coming out of the woods. Our loggers make a definitive effort to make an eight inch plus grade log sort which goes directly to the sawmill, and then a fiber sort which goes directly to the fiber facility.

Q. Now, with regard to who you negotiate with at Centralia, during the 1990s, who was that person?

A. Bernie McCain.

Q. Now, with regard to the logs that you would transfer to the Longview sawmill, through the majority of the 1990s, who were you negotiating with?

A. 1990s would be Jerry Bain.

Q. Now, how would these negotiations work? How would they happen?

[Tr. 130] A. Oh, boy. Northwest Hardwoods, when it was first acquired by Weyerhaeuser Company, it was acquired as a wholly-owned subsidiary. Because of the legal sensitivities around that, at that point in time, and the time frame I do not recall. I simply do not remember when the time frame was, it was a hand's off negotiation.

Essentially what that means is it was arm's length where I sat and negotiated with Bernie at that point in time and Heinz Hohendorf, as open market logs. And so I was dealing with them as if it was another customer, any other customer in the business. After the company decided or made the decision in the legal sense to turn it from a wholly-owned subsidiary to a division, then the rules changed.

I have very, very definitive rules that tell me how I set my transfer prices and how I deal with my transfer prices,

and when it became a division of the company, I deal my transfer prices with it as a division of the company exactly like I would with western lumber business, which is one of the my softwood mills, or with the pulp and paper business, which is the pulp mill. And there is a corporate policy that I have to follow in order to establish those transfer prices.

Q. Now, the majority of logs that you deal in are conifers, in terms of the scope of your duties?

[Tr. 131] A. Yes, it is.

Q. So how do you know when you sit down with Mr. McCain or Mr. Bain that you are getting the market price?

A. Well, to step back to the wholly-owned subsidiary. At that point in time, our operating unit had excess hardwood above and beyond what Centralia and Longview needed out of my operating unit. And during that time frame, I actually sold logs to a company by the name of Hampton Hardwoods, which is owned by Hampton Tree Farms, which is – well, they had a large sawmill here in Oregon and some in Washington.

At that point in time, they had a hardwood mill located in our operating unit. I also sold logs to Cascade Hardwoods. So during that time frame, it was very easy to get it because I was selling logs on the open market and it was not hard for me to establish what market value was and how hard I had to push Jerry or Bernie.

When it became a division, what we fell back to at that point is the market evidence that I have to accumulate to do appraisals. I'm constantly out looking at timber, either when we're dealing with a land transaction that has merchantable timber on it, or if it's just a stand of merchantable timber.

And part of my responsibilities as senior appraiser is to know what the markets are, so I know what I have to pay for that, just as if you were appraising a house [Tr. 132] or an apartment building. You do comp sales, and that's the only

way you are going to know about where you have to be to pay for that patch of timber or that patch of land for timber.

Now, my largest responsibilities are the softwood part of it. Well, you don't get pure stands of Doug fir out in our neck of the woods. We have Doug fir, hemlock, spruce, maple, alder, cedar, all growing on the same piece of property.

So to do a credible appraisal for that piece of property, you have to have a good solid understanding of what those markets are for each of those species and for the quality associated with each of those species that exist on a piece of property to establish what your comp sale is going to be, so I can take it forward to my management team, and say, "Okay. This is what I am recommending that we actually spend for that piece of property."

Without credible information, quite frankly, I would get it thrown back in my face and I'd be doing something different.

Q. You mentioned that when you were sending logs to the Centralia mill, you will – Western Timberlands will sort pulp and saw logs. Is that what you said?

A. Yes.

Q. Now, with respect to the Longview tree farm, how does [Tr. 133] it work there?

A. That's a little different down there. The location – currently, the location that their hardwood goes to is one fault. The hardwood all goes to the Longview operation. And so for us at Twin Harbors, we specifically have two isolated disposal points, which mileage wise I would say they are 25 to 30 miles apart, physically the sawmill and physically the pulp mill.

To save money operationally, you make the decision off the landing or out of the woods to take the truck of gray to the sawmill, so that you don't have to end up putting it on

another truck and hauling it back down the highway to the sawmill, so we make that split in the woods.

In Longview, that's not the case. They're going to one location. They take it out of the woods, take it to that location. They get paid appropriately. They can get paid essentially what they show up with. On the average, back to the acre, I would assume it is pretty close.

Quite frankly, I've never sat down and made a comparison directly between the two of them. I know from my facts, you know, what we get back per acre.

MR. JOHNSON: No further questions.

* * *

[Tr. 134] CROSS-EXAMINATION

BY MR. HAGLUND:

Q. Mr. Sutten, you work out of the Grays Harbor area?

A. Yes. I work out of where our operating unit is in a small town called Cosmopolis.

Q. And is Weyerhaeuser the dominant log exporter of conifer logs out of Port of Grays Harbor?

A. Now we are. Yes, we are. The export market is extremely weak at this point. We're dominant, but very, very weak ourselves.

Q. Are you also the dominant exporter of chips out of the Port of Grays Harbor?

A. We don't export chips overseas out of the Port of Grays Harbor. We do transfer chips from our operations out of Grays Harbor to other operations in Longview.

Q. Now, is it a fair statement that the bulk of what your office does in Cosmopolis is source export logs to combine, on the open market to combine with export logs from your own tree farms?

A. No. The Twin Harbors tree farm, as we have transitioned, we transitioned the second growth management in about 1976. And when I'm saying second growth management, we were truly in second growth. We have the pride to say that we are the first industrial tree farm in the United States right there at Twin Harbors.

* * *

[Tr. 139] Q. And he would follow the same process that you follow when you negotiate transfer prices; is that correct?

A. We have a policy that we have to follow.

Q. Okay. And in looking at the detailed records, Mr. Sutten, it appears that the – that the vast bulk of your volume from the Twin Harbors tree farm goes to Centralia?

A. Oh, yes. Yes, it does.

Q. And you do your best to establish transfer prices that are at market value?

A. That's my job.

Q. And that's the policy?

A. That's the policy.

Q. And when one looks at the Longview record, sir, it's clear that that's what you do when you sell logs from Twin Harbors to Longview, correct?

A. Yes, it is.

Q. Because if one were to compare the prices for high, medium and low logs within the various diameter classes that you're selling in a given quarter, mostly to Centralia, but some to Longview, you'd have the same pricing, correct?

A. If I was selling from the Twin Harbors operation to the Centralia mill and to the Longview, I get paid the Cen-

tralia price, plus the additional trucking that it costs me to go there.

[Tr. 140] Q. And, in fact, if one would go through the detail as we have done, that's what it shows. You're getting the same price for –

MR. JOHNSON: Objection, Your Honor. Counsel is testifying.

THE COURT: It's cross-examination. I'll hear the question.

MR. HAGLUND: I will back up a second.

BY MR. HAGLUND:

Q. There are quarters, aren't there, Mr. Sutten, if I understand your testimony correctly, where you negotiate both with Mr. McCain on the vast bulk of your volume going to Centralia, as well as with Mr. Bain on the smaller amount of volume that goes to Longview?

A. Yes, I do.

Q. And the –

A. Or I have, I should say.

Q. You have. We're talking about a historic period, '96 through 2001, correct?

A. Yes.

Q. And you've been in this position that whole time frame?

A. Yes, I have.

Q. And if the records show that you're getting the same price whether you're sending those logs to Centralia or Longview, you are acting according to the policy as you know [Tr. 141] it?

A. That's right.

Q. Okay. Now – And when it comes to the prices that the Longview tree farm is paying for deliveries to Longview, you've never looked at that, you said?

A. I've never made an absolute comparison, no; but, again, I go back to the comment that I made earlier, we make a definitive grade definition break in the woods. And that definition break in the woods that we make for the Centralia mill also holds true for anything out of Twin Harbors operation that is transferred to the Longview operation, which is entirely different than what Longview does, because Longview takes camp run wood direct to their Longview operation.

So we're talking apples and oranges here, because Twin Harbors makes an extra exerted effort to draw value on a grade basis, because we have two different places. Longview doesn't. They don't make the extended effort to do the same kinds of things we do.

So when I ship logs to Longview, it's the same quality control out of the woods that we would have if I was going to Centralia. So I would have to assume without looking at the numbers specifically that, yes, my numbers would be higher because of the quality of our logs.

Q. But let me – what you've described is a situation [Tr. 142] where your tree farm does more sorting in the woods than the Longview tree farm does, as you understand it, correct?

A. Yes.

Q. But when you send a log truck into Centralia, the log truck is offloaded, is it not, and the logs are placed on the ground on what is called a roll-out scale, correct?

A. That's correct.

Q. And a Northwest Hardwoods' log scaler trained in the high, low, medium specs scale those logs, right?

A. Correct.

Q. And then your timberland division is paid according to the data that he inputs into his handheld, and goes into the computer system?

A. That's correct.

Q. And the same system is used in Longview, is it not?

A. Yes, it is.

Q. Now, isn't it true, Mr. Sutten, that in 1997 or 1998, you had a conversation with George Lukin, then of Pacific Hardwoods, in which you told him that your superiors had been told – or had told you to give Northwest Hardwoods some extra help in log procurement, and that you were to go into the market and tell log suppliers that you wouldn't buy their export conifer unless they also delivered their alder saw logs?

A. Oh, absolutely not.

[Tr. 143] MR. JOHNSON: Objection, Your Honor.

THE WITNESS: Absolutely not, no.

MR. JOHNSON: Outside the scope.

THE COURT: The objection will be overruled as to the scope. It is cross-examination and it is appropriate.

MR. HAGLUND: I didn't quite get –

THE COURT: And my memory is that was another witness, so it is proper impeachment.

You may proceed. The answer stands. He said it was absolutely not.

MR. HAGLUND: And I would –

THE WITNESS: I'd like to expound on that a little bit; and, quite frankly, the reason I would like to expound on it is we have – every year, we, in management at my level or ac-

tually a level below me and above, go through what we call antitrust training. And I do not – never do I attach a buy-sell agreement to each other.

I will buy and I will sell to the same customer, but there is no attachment ever that I have done in the 25 years I have been doing this. I do not do that.

BY MR. HAGLUND:

Q. So George Lukin testified to the contrary, that was false?

A. I have absolutely no idea what George said, but I do not do that and I would not have done that.

[Tr. 144] Q. And in your antitrust compliance program, there's an explicit reference to tying arrangements being improper, correct?

A. That was the guidance we've gotten from our attorneys and our antitrust training that we've had over the years that I've had it, yes. And I simply do not tie buy-sell agreement. I will buy and sell to the same customers, but they are entirely separate transactions, entirely separate contracts with entirely separate volumes attached to it.

Q. I understand there are separate contracts, but –

A. There's no tying.

Q. – isn't it true that you have told loggers that if –

A. Never.

Q. – they want to sell their export logs to you, they've also got to send their alder saw logs to Northwest Hardwoods?

A. I recommend that they do that, but I'm not – depending on the market, the majority of the time, they come back and tell me that Northwest isn't paying a high enough price, you should sell to Cascade Hardwoods or sell them to Ross-

Simmons. But really, quite frankly, I would never tie that, no.

If I bought the standing timber then it becomes mine in fee patent, then I can sell it internally to all of our facilities as a fee patent piece of timber and company asset. [Tr. 145] But for me to tie a purchase of export logs to Northwest Hardwoods division, or the pulp and paper division, I do not do that.

Q. How strongly do you recommend that your suppliers send their alder saw logs to Northwest Hardwoods?

A. I suggest because I don't really, quite frankly, on the hardwood side of the business, I don't have privy to the types of prices that Bernie is working with day to day to day.

I do have absolute control over our local sawmills in the softwood business, because I'm the one who sets the prices. So for our own sawmills, I will offer prices for all the volume on the piece of property that the logger owns that I can utilize. As far as Northwest Hardwoods is concerned, I recommend he calls Bernie or Steve Axel (ph), depending on where it's located. That's as far as it goes.

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[Vol. 7-A (Apr. 16, 2003)] [Testimony of Gary Nelson]

* * *

[Tr. 16] You may call your next witness.

MR. SIMON: Thank you, Your Honor.

Your Honor, the defendant calls Mr. Gary Nelson.

THE COURT: All right.

(The witness was duly sworn.)

THE WITNESS: Gary Gene Nelson, Junior. N-E-L-S-O-N.

DIRECT EXAMINATION

BY MR. SIMON:

Q. Good morning, Mr. Nelson. Michael Simon for Northwest Hardwoods and Weyerhaeuser. I want to begin by reading a brief statement about who you are. I will ask you if it is correct and then I have some questions for you.

I understand you are presently the executive director of the Port of Grays Harbor up in Washington, but previously you were the general manager of the plaintiff Ross-Simmons Hardwood Lumber Company; that you were employed by Ross-Simmons from February 1997 through approximately December of 1999. Am I correct, sir?

A. Yes.

Q. Will you briefly describe your job functions and histories and any changes that took place while you were at Ross-Simmons from February of 1997 through end of 1999. What were you doing?

A. I started as vice president of raw resources, which is [Tr. 17] essentially the log procurement manager and was in that capacity until the summer of '98. Then I took on the title of general manager, CEO – COO I think at that time.

Q. Essentially the chief operating officer, equivalent to like a president or general manager?

A. No. I think John Simmons was president and CEO at the time. I was in charge of operations.

Q. While you were doing raw resource material log procurement, was that for both the Joint Venture mill in Toledo, Oregon, and for the Ross-Simmons Longview mill or one or the other?

A. It was both.

Q. Would you take us through – would you describe for us how you went about – how Ross-Simmons went about procuring logs for the Toledo mill, and as part of the Joint Venture, what did they do and what were the experiences that you saw, starting with 1997?

A. When I came on board, we had a log buyer, full-time log buyer in Toledo at the mill by the name of Dave Frazier. It didn't work out too well. I think I let him go that summer and took over responsibility for procurement there.

It was a network of log suppliers – timberland owners and log suppliers. After 15 years in the business, you kind of know who is who and who to call. There is mailings you get on distribution lists, some of the larger [Tr. 18] companies, Georgia-Pacific, Willamette will have regular offerings, maybe quarterly offerings, and they will mail out a prospectus, if you will.

A lot it is just inquiries. We advertise in the newspaper, in the local papers, and we have people call in and then we would go out and look at their logs and bid or appraise the logs for them.

I would say – I can't say percentage-wise. I don't have the documents in front of me. You can look and see what was small private versus larger timberland owner.

Q. Were you able to get – why don't you describe what you were able to get generally in terms of the timber resource or alder log supply at the Toledo Joint Venture mill in terms of quality and price.

A. In '97, we actually had a pretty good log – actually had too many logs. In late 1997, we actually had to back-haul some logs up to Longview to get them processed before they stained on us.

Going into '98, again, the market started weakening in late '97 as did log prices go down. And then you have people who just don't log. Every time you have a drop in prices, the marginal supplier says, I'm not willing to sell at that price. Availability drops off.

The overall age class in that kind of working circle was, we felt, much younger than what we had in the

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[Tr. 21] Siletz, I think in the deck, and then we picked up the cost of transportation. So we paid the actual cost there and then picked up the transportation. We ended up with a delivered log in Longview comparable to what the market was in Longview.

Q. Let's talk about the market in Longview. In the 1997 time period, what was Ross-Simmons' experience in terms of buying logs for its Longview mill in terms of could it find adequate supply at appropriate market prices or appropriate prices?

A. Yeah. I think we had a good supply of logs. We also were buying in Port Angeles at that time. I think Bill Nelson had started or instigated a program with Crown Pacific in Port Angeles for regular supply. That relationship deteriorated, I think, in the fall of '97. I'm not sure why to this day, but that fell apart. But we did continue to procure logs in Port Angeles. That was a small increment of our logs for Longview.

In Longview, Longview Fiber was, I'm sure, the largest supplier of the whole spectrum, from small diameter pulp logs up to large diameter sawlogs. There was a fair amount of activity until late '97 was about the time that everybody called the Asian flu. The export market slowed down and, therefore, logging slowed down, so there were less logs available.

[Tr. 22] Q. I want to spend some time on that. I want to close this part of the story and make sure I understand at least, in your experience, through the end of 1997, you were saying that there was an adequate supply of logs at appropriate prices for both the Toledo Joint Venture mill and Ross-Simmons' Longview operation. Do I have that right?

A. Yes.

Q. Then what happened the later part of 1997 that affected the Ross-Simmons business and the Toledo Joint Venture operations?

A. I would say in probably the fourth quarter of '97 we started seeing demand decrease.

Q. Demand for what?

A. Demand for our lumber.

Q. Okay.

A. So we weren't moving as much lumber. Usually when that happens, you are not getting the price that you thought you were going to get. So you got not only a little deterioration of volume but also the average sales price started to deteriorate. And then you start making adjustments. You start running the mill at 80 percent capacity or something like that.

You try to slow things down. Slow production down to meet the sales. That's kind of where we were at in '97, at the end of '97, first part of '98, and it just continued [Tr. 23] to deteriorate. That was in Longview. The issues with

STEDCO down in Toledo were pretty much the same except we were still battling some quality problems with the lumber coming out.

Q. Let's talk about quality issues out of Toledo. What did you observe?

A. What the lumber sales staff told me was they had a hard time moving the same grade of STEDCO lumber versus Ross-Simmons lumber. I'm not really sure why. I don't know if it was because it was a new product out there in the market or if there was truly something less desirable about the product. That was more finished grade product. The other issues we had were getting, I guess, true boards, if you will.

Q. What does that mean?

A. The head rig – one of the head rig rails was off kelter, so we end up, as the saw went through the log, it tended to dive at the inner snipe. You ended up losing extra fiber on the end. The head rig – excuse me – the gang saw – we had a combination gang/edger. We continually had problems getting cants stuck. I think we finally got that figured out, how to lubricate it and keep the spaces of the saws from getting hot so we didn't end up with uneven lumber. That was the issue. You end up with poorly manufactured lumber.

[Tr. 24] Q. We heard terms like "snipe" or "uneven lumber." What is snipe?

A. It is at the end of the board. It gets real narrow. The saw dives in and it ends up like this.

Q. You are making a point like an upside down V?

A. Yes.

Q. I take it customers don't want that?

A. No – that eventually gets trimmed off. It is lost fiber.

Q. By fiber you mean wood?

A. Yeah.

Q. Did you say thin? Thick?

A. In the gang setup there at SEDCO you end up with – I can't remember – six or seven boards, maybe eight, but you end up with one board that is an inch-and-a-half and the rest are 2 inch, for example, when they all should be the same. That had to do with the saws not tracking through the cant evenly. So when you run that through the kiln and dry it and plane it, you come up with skips.

Q. What's that?

A. A skip is when it goes through the planer, and the planer puts a nice, smooth surface on it. If it is not uniform thickness, the planer tends to jump over spots. You will have a rough spot or a frayed spot in between.

Q. Now, you mentioned that the market was having problems, [Tr. 25] the lumber market was having problems at the end of 1997. Did that continue into 1998?

A. Yeah. There were a few bright spots, but in general I think the trend was probably down in terms of demand and prices. There are several markets. Any time you cut a saw-log or an alder log, you are going to have chips on the low end. You are going to have prime or select on the top end and everything in between.

Usually you have a buyer for select. You have a different buyer that buys the chips. You have a different buyer that buys the median or lower grades. It is not all the same market. The trick in sales is try to get everything to kind of move proportionately so you don't end up with your warehouse out of balance.

Q. How are the sales done for Ross-Simmons?

A. We had a sales staff –

Q. Who was it?

A. Sonny and John.

Q. Sonny Powell?

A. Sonny Powell. And Sonny took care of our S2S or our dried lumber primary. John took care of the pallet and shook, the green lumber sales.

Q. When you say that Mr. Sonny Powell took care of the S2S or dried lumber, that's the more valuable higher grade product. Am I correct?

[Tr. 26] A. Yes.

Q. Did Mr. Powell – to whom did Mr. Powell sell? What types of customers did he sell?

A. When I came in '97, we were selling primarily to wholesalers. I think the philosophy at the time was let's turn our money. Let's get our money back. Let them figure out how to merchandise that or market it. Is it going to Europe or Asia or staying in the United States?

Q. Would you spell that a little bit more. What was the business philosophy of Ross-Simmons during this time period with respect to what its priorities were?

A. The priority was to sell as much lumber as we could. It seemed to be that the – and, again, I didn't have, other than to witness which direction lumber was flowing, it seemed that there was North Pacific, I think, was a big brokerage that we used. We would sell to brokers, and they would market the lumber to whoever. A lot of times we never knew who the end user would be.

Q. I understand the financial records are in here. I won't ask any details about that. Is it generally your understanding that 1997 was one of the biggest sales and profit years for Ross-Simmons?

A. I don't think so. I thought that '96 or '95 was better. I don't know.

Q. We will look at the financials later. I won't go into

* * *

[Tr. 31] Did you mean anything besides what it says?

A. No.

Q. The next sentence, what did you mean by that? "Unfortunately, we could only push log prices down to a certain point as our competition kept a floor on log prices." What did you mean by that?

A. It is a tactic that all log buyers use. If you screw up and you buy too many logs at a high price and you can't take any more logs, then obviously you don't want the competition to get logs at a lower price. You try to do everything you can to keep that – even if you are not buying – a standard one was if I was buying, I would pay X, but I'm not taking logs. It was just really a strategy I think we all used to protect ourselves on the downside.

Q. Do you have any knowledge at all specifically that Northwest Hardwoods did that?

A. No.

Q. Do you have any knowledge at all of any anticompetitive activity by Northwest Hardwoods or any activity at all designed to push log prices up or keep logs away from competition?

A. Not by Northwest Hardwoods, no.

Q. That next sentence on paragraph 3, "Also softwood log markets were poor so the overall logging activity was down resulting in a supply of alder logs that was lower than [Tr. 32] normal." What did you mean?

A. Anybody that has been in the woods in the Northwest know that alder and cedar are not a predominant species. Hemlock and fir are. Most companies, when they go to log, they are logging Douglas fir or hemlock or a combination.

Along with that they will harvest alder. There is very few 90 or 100 percent stands of alder. It is usually a come-along species. It comes along with everything else that they harvest.

So if the demand, either domestically or in export market for Douglas fir is down, the supply of alder logs on the market is going to diminish.

Q. Is that what you experienced in '97 and '98?

A. Yes.

Q. Look at paragraph 5, Mr. Nelson. It says, "Production costs were higher than anticipated due to not being able to produce at the projected level of four 8-hour shifts per week." You told us you curtailed back to four 8-hour shifts.

A. Uh-huh.

Q. What did you mean by that statement?

A. I guess that means that we didn't produce at four 8-hour shifts per week. I don't recall.

Q. Okay. Fair enough. May I ask that you be shown Exhibit 1020. This is a letter dated August 12, 1998. It

* * *

[Tr. 46] Q. You believe that decision to sit and hold, though, caused the market to become stagnant, though, didn't you?

A. I couldn't say. Log market or lumber market?

Q. Lumber market.

A. I don't know if that contributed or not.

Q. You don't specifically recall telling anyone that or writing that?

A. No.

Q. Now, if I understood correctly, you testified that in your entire tenure at Ross-Simmons, you didn't see any unfair activity on behalf of Weyerhaeuser in terms of log pricing or trying to keep logs away from competitors. Is that right?

A. Right.

Q. Do you remember, sir, in 1999 Weyerhaeuser seeking an exemption from – seeking an exemption so they could export logs and at the same time still purchase alder from state properties in Oregon?

A. In Oregon, yes.

Q. Do you recall that?

A. Yes, I do.

Q. Do you recall that you – do you recall what your opinion was of that at the time?

A. Yeah.

Q. What was it?

[Tr. 47] A. I didn't think they should be able to. It was one niche that we had available to us. I didn't think they should be able to do both.

Q. Did you, in fact, think that it violated the intent of the federal substitution rules?

A. It had nothing to do with the federal. I thought it was the state. It was state land we were talking about, not federal.

Q. In May of 1999, sir, do you believe it was your opinion that this effort by Weyerhaeuser to both export log and purchase alder sawlogs from Oregon property violated both the federal substitution rules and the Oregon substitution rules?

A. I think the Oregon substitution rules.

Q. Do you recall that it was your opinion at the time that Weyerhaeuser was attempting to use a loophole so that it could do both?

A. I've got to remember what the rules were. I think it was you could not – if you exported – if you exported out of the state of Oregon, you couldn't buy Oregon state timber or logs, and they were trying to get an exemption so that they could buy Oregon state timber or logs. And I didn't think that was fair.

Q. Mr. Nelson, would it refresh your recollection about what your exact position was in May of 1999 about this issue [Tr. 48] if I showed you a letter that you wrote at the time?

A. That would be great.

MR. KELLEY: May I approach, Your Honor?

THE COURT: You may.

THE COURT: Has this been marked?

MR. KELLEY: It has not, Your Honor.

BY MR. KELLEY:

Q. Have you had a chance to review your May 14 letter?

A. Yes.

Q. Does that refresh your recollection of Weyerhaeuser's efforts to both export logs and purchase alder from state lands violated both federal substitution rules and Oregon substitution rules?

A. Yes, because I think what was driving this, sir, was they made a decision, I think, in early '99 to start exporting conifer logs out of Coos Bay. That was the change that kind of – I think up until that time Weyerhaeuser could buy ODF timber. It was when they made – in fact, this goes back to the early '90s. Weyerhaeuser took a position that they

wouldn't export logs out of the state of Oregon. Then in '99, I think, is about the time they reversed that, so that changed.

So the Oregon timber was something that Northwest Hardwoods, as Weyerhaeuser, had been able to access. And when they changed their mind and decided to export conifer [Tr. 49] logs, I thought that was a violation.

Q. In fact, you thought that they found some kind of a loophole, did you not?

A. Yeah.

Q. At the time, in May of 1999, did you believe that Weyerhaeuser controlled about 50 percent of the export market and 70 percent of the hardwood lumber manufacturing facilities?

A. That's what I said, yeah.

Q. Did you believe they had the motive – their motives were suspect?

A. I think that's what it says here.

Q. In fact, you describe it as an 800-pound gorilla, do you not?

A. Yes, I do.

Q. All you were asking for was a level playing field to compete against a mega-corporation like Weyerhaeuser?

A. Yes.

MR. KELLEY: No further questions.

THE COURT: Further questions of this witness?

MR. SIMON: Yes, Your Honor.

REDIRECT EXAMINATION

BY MR. SIMON:

Q. Mr. Nelson, did Ross-Simmons, when you were there, buy a significant amount of timber from these Oregon state [Tr. 50] timber sales, the ODF timber sales?

A. Probably not. A lot of the ODF timber came out of the Tillamook forest which was kind of a tributary to Garibaldi, but we did pick up some in northwest Oregon, occasionally a little bit down on the central coast, but it wasn't a lot.

Q. Thank you. Now, when Mr. Kelley was asking you questions, I think I heard you say that with respect to driving log prices, you said sometimes Cascade Hardwood would drive log prices; sometimes Washington Alder would drive log prices. Then you said sometimes us, Ross-Simmons, would drive log prices. What do you mean by that?

A. There are several instances when that occurs. Usually the most common is when a new player emerges. I think I would – I'm sure STEDCO had a similar experience when they first started up. You have to, I say, buy your way into the market. You have to get credibility with the local suppliers. And the way you do that is through a price premium.

Washington Alder, when they started up, whenever that was. It was in the spring of whatever, in Port Angeles, we noticed an immediate jump in prices up there. Again, it is buying your way into the market; buying credibility with the suppliers.

The other time that this happens is, let's say a sawmill has a run or sells a bunch of their inventory, so

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[Vol. 7-A (Apr. 16, 2003)] [Testimony of Jerry Bain]

* * *

[Tr. 53] Q. Who were the suppliers during the 1990s that you purchased from?

A. Oh, in a given year we would have 250 to sometimes 300 suppliers, small suppliers from one to two – load suppliers all the way up to the larger suppliers.

Q. Who are some of the larger suppliers?

A. Cavenham (phonetic), Weyerhaeuser, Hampton. Those were probably our major larger suppliers.

Q. How about Rayonier?

A. Rayonier, we got logs from them.

Q. Simpson?

A. We never got anything from Simpson in Longview.

Q. I am going to ask the witness be shown Exhibit 14 and Exhibit 482.

Mr. Bain, Exhibit 14 is a plaintiffs' exhibit. Do you see the area where Longview is?

A. Yes.

Q. What is that red area right next to Longview?

A. That is the Weyerhaeuser timberlands.

Q. Now, the blue area in this map are the state timberlands both in Oregon and Washington. During the 1990s, how did Northwest Hardwoods go about purchasing logs on state lands?

A. On state lands we weren't able to bid the timber sales, but we could buy the logs off the timber sales from whoever

* * *

[Tr. 56] price and negotiate a separate agreement for pulp logs at market price.

Q. What was the market price based on?

A. Based on – at the time whatever the market was. Their sales rep. pretty well knew what the log market was in the region, and I might have a price that I wanted to pay, he would have a price he wanted, and we negotiated a price from that.

Q. Do you have Exhibit 482 in front of you?

A. Okay.

Q. This is an exhibit of the plaintiffs. If you look at the first page, it shows the average price for the year for third-party logs in Longview and the average price for Weyco logs in Longview. Do you see that?

A. Yes.

Q. It has it for different years from 1997 to 2001?

A. Yes.

Q. If you turn the page to page 2, if you look about two-thirds of the way down, do you see where those numbers came from, the purchase logs, third-party, and purchase logs Weyco?

A. Yes.

Q. Now the average for the end of the year, the average purchase price for Weyerhaeuser was different from the average price to third parties –

[Tr. 57] A. Correct.

Q. – at Longview? Please explain that.

A. The average price on the third party is primarily saw-logs, which is always at a higher rate. The average price for Weyerhaeuser is a weighted average of the pulp logs and the

sawlogs that were purchased and melded together for the end of the year.

Q. So for Weyerhaeuser, you are buying both pulp logs and sawlogs?

A. Correct.

Q. In general for third parties you are buying what?

A. Primarily sawlogs. We bought very little – we did buy some pulp logs from third parties but not very much. Most of the pulp logs we got from Weyerhaeuser was enough to meet our needs. We did buy a little bit. We would have some supplier that would say: Hey, I want to sell my pulp to you also. Okay. We will buy your pulp, and this is the market and buy their pulp log.

Q. Let's talk a little bit about pulp logs then. First of all, how did those trucks come into the mill?

A. They came in from all of our suppliers, sorted the sawlogs on one load and sorted pulp logs on another load.

Q. From Weyerhaeuser, why didn't you have them send all the loads altogether?

A. Actually they wanted to do that. The main reason is

* * *

[Tr. 59] needed one. At that time they went out on the market, paid extremely high prices, offered extremely high prices for logs. Extremely higher than what we could pay. We just backed away from the market and stayed where we were at.

Q. Do you know why they were paying high prices?

A. I don't know. They were – like I say, they were short of logs at one time and –

Q. Throughout the 1990s who did you report to?

A. What year? Excuse me.

Q. From 1993 to 2000, who did you report to as resource manager?

A. I don't know when Heinz left. Heinz Hohendorf part of the time and Jay Mehta (phonetic) was in there a short time and Del Fisher until I retired.

Q. Now, did any of those individuals ever express to you that it was a strategy of Northwest Hardwoods to raise the level of log costs in order to hurt competition?

A. Oh, absolutely not.

Q. Did any of those individuals ever tell you to buy more logs than Longview needed in order to keep logs away from Ross-Simmons or other competitors?

A. Absolutely not.

MR. JOHNSON: No further questions.

THE COURT: Cross-examination.

CROSS-EXAMINATION

[Tr. 60] BY MR. HAGLUND:

Q. Now, Mr. Bain, you were the resource manager in Longview from '93 to 2000 until you retired, correct?

A. Yes.

Q. You would have been the top log buyer at the Longview mill resourcing for that mill during that time frame, correct?

A. Yes, that's correct.

Q. You reported to the three individuals you mentioned, Mr. Hohendorf, Mr. Mehta and then Mr. Fisher from approximately '97 through 2000?

A. Yes.

Q. From the time frame – you started at Longview in '86, right?

A. '87.

Q. And from '87 until some point in '93 when you became the resource manager, you were reporting to a resource manager named David Wood. Is that correct?

A. David Wood for part of the time and then he retired. Then Ray Poppe.

Q. Now, is it your testimony, sir, that in '89 and, again, in 1993 that the Longview mill had no significant stain problems?

A. We periodically, throughout the whole time, would have stain problems.

[Tr. 61] Q. Did you have a significant stain problem in 1989 and, again, in 1993?

A. I can't answer to 1989, but in '93 is when we purchased a large amount of pulp for the chipping operation, and we had – a lot of the pulp logs were stored on land and a lot of those did get stained and did affect the chip quality.

Q. Do you ever remember a significant stain problem in the sawlog inventory in '89 or '93?

A. No. Like I say, I can't say for '89, but '93 I was there.

Q. Weren't you there in '89?

A. I was there. I was a log buyer. Resource manager was responsible.

Q. You can't remember?

A. I don't recall.

Q. Okay. Okay. So there might have been a significant stain problem. You just can't remember at this point in '89?

A. I don't recall.

Q. Okay. Now, is it true, sir, that throughout your entire career as a log buyer for Northwest Hardwoods that you have made it a personal practice never to increase your original bid above your first bid in the face of a competing bid?

A. On a bid basis, no, I never did change the bid on a [Tr. 62] bid.

Q. You would never change the bid?

A. Not on a bid.

Q. When you say "bid," what do you mean?

A. If somebody has a stand of timber or a group of logs on a bid basis and normally you have a one-shot chance to bid those logs, you send the bid in and that's it.

Q. Let's not use the situation where you are following a formal written bid procedure. You have been – let's take the situation where you have got a call from a logger or landowner. They say: I got a patch of timber. It is going to be harvested in two months. I would like to find out what the market is doing and get a quote from you guys. You would go out and look at it, right?

A. Correct.

Q. Then you make a phone call and give them the quote?

A. That's correct.

Q. The occasion occurred, did it not, where that logger or landowner would call you back up and say: Ross-Simmons is $3 a ton higher. If you want the wood, you need to beat them. That happened?

A. Oh, it did happen.

Q. Was it your personal practice never to increase –

A. It was my personal practice to avoid that. If there was somebody that I really knew, that I trusted, I might [Tr. 63] meet the price. But to go over that, absolutely not. It was

very rarely that that did happen, but occasionally there was a situation, somebody that I really knew – because some of these people that you are referring to at times would – they would come to me or whoever was there and say: Well, Ross-Simmons offered this price. And would they go over to Ross-Simmons and say: Northwest Hardwoods offered this price, back and forth. They jerk you around like a yo-yo. It is a practice you try to avoid.

Q. I want to make sure we understand your testimony. You never would beat the bid?

A. I never did beat the bid. I would match it.

Q. You only did that once or twice to the best of your recollection?

A. You know, I don't know exactly how many but not very many.

Q. Less than 10?

A. Yes.

Q. In 15 years?

A. You know, you are getting specific.

Q. That's what the case is all about, sir, getting specific.

A. But I can't say exactly over 15 years. But I know it was a very small amount.

Q. Now, from time to time do you, as a log buyer or [Tr. 64] resource manager for Northwest Hardwoods, receive antitrust training at corporate headquarters?

A. I had been to, I think, two different meetings over the years.

Q. And is it made clear in that antitrust training that an employee will be fired if they violate the company's – Weyerhaeuser's antitrust policies?

A. Yes.

Q. So there are major consequences of failing to live up to those guidelines and policies, correct?

A. Yes.

Q. Now, is it your understanding that tie-in situations were covered in your training?

A. What was that question, please.

Q. As part of your training did you ever have explained to you in these Weyerhaeuser antitrust sessions that tie-in sales were not legal?

A. Tie-in – I don't understand the question.

MR. JOHNSON: Objection, this is beyond the scope of the direct.

THE COURT: The objection will be overruled.

Explain what you mean by tie-in.

BY MR. HAGLUND:

Q. A tie-in situation is where a particular company has a particular product that a buyer or supplier wants –

[Tr. 65] MR. JOHNSON: Your Honor, I do object –

THE COURT: Objection, overruled.

MR. JOHNSON: – to his characterization of what tie-in is.

THE COURT: I will hear the question first.

BY MR. HAGLUND:

Q. I will try to explain it as simply as I can. It is a situation where a company has a product that some other party wants and as a condition of selling that product to that party, the seller says: You also have to buy something else or sell something to me?

A. I was never involved in that.

MR. JOHNSON: Objection.

THE COURT: Objection overruled. He can state his premise, and we will argue about the law later.

BY MR. HAGLUND:

Q. You are not familiar with that concept at all?

A. I ne[illegible]vas involved in any of it whatsoever. I know what you [illegible]alking about now, but, no, we never got into that situation.

Q. Did you ever develop relationships with any of your suppliers, Mr. Bain, where you had an agreement with that supplier that you would get a last look at buying their timber?

A. A last look? No. No.

[Tr. 66] Q. You never ever had a relationship with a supplier where they knew that they could go into the market, get the Ross-Simmons price, come to you and you would meet it?

A. No. No.

Q. Never?

A. No.

Q. Okay. Would that violate your training to engage in that kind of activity?

A. I don't know. I'm not sure of that.

Q. You are not sure?

A. Yeah. That's just –

Q. You never did it, but you can't recall whether it would violate your training?

A. I don't recall if it would violate training. I just never did it.

Q. Okay. Let me ask some questions about the log grading and sorting procedures at Longview. There has been testimony previously about the sorting system in place within the alder mills. Is it a fair statement that when logs come into Longview, just like in Centralia or Eugene, that they will be taken off the truck, rolled out on the ground and scaled?

A. Correct.

Q. And that happens whether it is wood bought from a third party or from Weyerhaeuser tree farms?

* * *

[Tr. 71] Q. Now, the pulp logs are going to fetch a lower value, correct?

A. Correct.

Q. Now, when you would negotiate with – let me ask this first. You have testified earlier that when you are buying sawlogs, whether it was from a third party or from the Weyerhaeuser tree farm, that they come into the yard, they would be scaled and the data put into the computer system?

A. Yes.

Q. Now, you also bought some camp run from what I understand?

A. From who?

Q. From third parties.

A. I just said that after 1991 we changed, went away from buying camp run, and we got sawlog sorted and pulp sorted.

Q. But let's be clear. You still continued to buy some camp-run wood from third parties?

A. You know, if we did, it was a very minimal amount. I don't recall exactly. I can't go back and say specifically. But if it was, it was a minimum amount because we made a

big effort to get away from buying camp run because camp run is very risky when you are buying camp run from any supplier.

Q. Now, it is not your testimony that you did not buy any camp-run log truckloads in the year '95 to 2001, is it not?

MR. JOHNSON: Your Honor, I think it has been

* * *

[Tr. 73] and Centralia would negotiate with Bruce. Now, we'd wait for the other to get done with the other. We would do it simultaneously.

Q. Let's make sure we got our names and positions straight. Mr. Sutton, he is the marketing manager for the Twin Harbors tree farm that is closest to the Centralia sawmill?

A. That's correct.

Q. He would negotiate with Mr. Bernie McCain?

A. That's correct.

Q. And Chuck Lappe is the marketing manager for the Longview tree farm, the closest to your operation?

A. That's correct.

Q. On a quarterly basis you would negotiate with him for the prices for sawlogs?

A. Yes. For the Longview region, yes.

Q. You were familiar, weren't you, from time to time with the prices that Mr. Sutton and Mr. McCain were negotiating, correct?

A. Oh, yes.

Q. Is it a fair statement that the sawlog prices for the volume received from the Weyerhaeuser Longview tree farm would be comparable to the market prices you were paying

for the same grade and diameter class of sawlogs from third parties?

[Tr. 74] A. Yes.

Q. Okay. And that's what the computer data should show?

A. That's correct.

MR. HAGLUND: Nothing further, Your Honor.

THE COURT: Further questions of this witness?

REDIRECT EXAMINATION

BY MR. JOHNSON:

Q. Has any supplier ever expressed this dissatisfaction to you about Northwest Hardwoods' scaling?

A. At times, yeah.

Q. And did you work with that supplier to see if they could better understand the scaling system?

A. I tried to at times.

Q. Have any suppliers ever chosen to sell to Ross-Simmons or Cascade or someone else because of Northwest Hardwoods' scaling system?

A. It has happened, yes.

MR. JOHNSON: No further questions.

MR. HAGLUND: Nothing further.

THE COURT: You may step down.

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[Vol. 7-A (Apr. 16, 2003)] [Testimony of Bernie McCain]

* * *

[Tr. 75] DIRECT EXAMINATION

BY MR. JOHNSON:

Q. Mr. McCain, you graduated from high school in 1965, served in the Navy for 18 months and then got a forestry degree from Centralia College in 1973. In 1973, you then went to work at Northwest Hardwoods as a log buyer at the Centralia mill. You were named resource manager for Northwest Hardwoods' Centralia mill in the early 1980s. And that is your current position?

A. That's correct.

Q. Mr. McCain, could you tell this Court and the jury about your general approach to buying logs at Northwest Hardwoods.

A. Well, I try to keep it rather simple. I try to buy the highest quality log I can at the lowest price.

Q. Now, when you are going out and offering a price for logs, what factors are you considering?

A. You factor a lot of things, but mainly you factor the quality of the wood, the size of the wood, the availability, timing, when it is going to come in, the supplier. But mainly you extract the price, look at the wood and the quality of the wood.

Q. Now, Mr. McCain, we have heard testimony about log staining in this trial. How do you go about managing your log inventories to minimize the potential for stain?

[Tr. 76] A. At the log yards at Centralia, we can hold about almost 3 million feet of logs in our yards at Centralia. Our monthly cut there is on the average around four, four and a half million feet of logs.

We advocate stump-to-dump three weeks. That's a pretty good average for logs to stay fresh from landing to the yard. Then we can rotate our inventory in probably two to three weeks in the yard so we are in real good shape.

We have had bigger inventories at times. At that point we direct logs to go into the water. They go in the water. They stay fresh in the water there for that moment before we use them. With our small yard it keeps us keen on keeping our log inventory fresh just by the size of our yard.

Q. Mr. McCain, during the 1990s, who did you consider your competition for logs to be?

A. In the '90s, kind of go around in my mind geographically there, Edmond Company bought hardwood in Tacoma. Sheers bought logs in Sheldon. Steve Pullen bought hardwood in Sheldon. Willis Enterprises bought logs in the Hoquiam area. Olympic Fiber bought hardwood in Aberdeen. Dahlstrom's in Aberdeen bought logs. WTD in South Bend at that time bought logs. Alexander in Onalaska bought logs, hardwood. Northwest Fiber in Morton bought logs. Cascade Hardwoods in Chehalis. I might have left somebody out.

[Tr. 77] Q. Do you know who Mr. Bill Nelson is?

A. Yes.

Q. Mr. Bill Nelson testified earlier in this trial that during the early 1980s when he was at Cascade Hardwoods, there was what he called a log war between you and him. Do you recall anything about that?

A. No. I don't recall any log wars, no.

Q. During the 1990s, who did you report to?

A. 1990s I reported to Mr. Heinz Hohendorf.

Q. From 1997 on through 2000?

A. I reported to Jay Mehta and Mr. Fisher at that time.

Q. What types of conversations would you have with the person that you reported to?

A. The types of conversations throughout the time period there, we would – I would contact all the superiors in what I thought the market was doing, where log flows were going to be during the season. Alder is real susceptible, like any log, in wintertime it slows down. It is susceptible to other markets, especially hemlock.

If that market slows down and the logging slows down, why alder is kind of a come-along species. I wanted to keep them abreast where the market – where the log flows are going to be and keep abreast where inventory was and things like that in general so they were informed and had an idea of what the future looked like. It is very hard to [Tr. 78] call sometimes, but you do the best you can.

Q. During the 1990s, what was the strategy of Northwest Hardwoods in terms of log prices?

A. Well, basically it is – you asked me before, we try to buy the best quality log at the best price or lowest price we can. That's generally what the market is doing in your area. We try to do it that way.

Q. Did either Mr. Hohendorf or Mr. Mehta or Mr. Fisher ever express to you that it was the strategy of Northwest Hardwoods to maintain high log prices to hurt competition?

A. No, I never heard that message.

Q. Did any of those individuals ever express to you that you should buy more logs than you needed in order to keep logs away from your competitors?

A. No, never.

MR. JOHNSON: No further questions.

THE COURT: Further questions of this witness?

MR. KELLEY: Briefly, Your Honor.

CROSS-EXAMINATION

BY MR. KELLEY:

Q. Good morning, Mr. McCain. During your time at Northwest Hardwoods or Weyerhaeuser, did you receive some training, sir, in connection with antitrust?

A. Yeah. We annually have that meeting.

Q. In the sessions that you attended, do they address [Tr. 79] issues related to log buying?

A. Yes.

Q. And do you have an opinion of whether or not issues related to a last look at logs is addressed in that – in those sessions?

MR. JOHNSON: Objection to the form of the questions.

THE COURT: Overruled.

THE WITNESS: I don't understand "last look." Could you explain that more?

BY MR. KELLEY:

Q. Your witness statement says that you never had a last look, an arrangement where you had a last look at a log. Let me make sure you and I are communicating. I interpret that to mean that you never had a situation with a supplier of any kind where you told them to go around. Go ahead and look. Shop it around. See what bids you get. But give me the last look at your logs before you sell them.

A. No. I have had people call me. When people call you, you have got a range of customers that are – that's their business. They log. And you have got people that has got a few loads in the backyard, and they really need help. I give them prices. They ask me if there is anybody else buying hardwood in the area. I say: Yeah, you can check other places, and I gave them names. As far as saying, you [Tr.

80] know, if you get another price, give me a call back. I give them a price at that time and it is over with.

Q. You give the best price. If they want it, yeah, great. If they don't, sell to somebody else?

A. Right. The only other situation is if somebody else calls you and you get the prices and say, well, would you like to take a look at it? What do you think? Is it worth more? It could be. No promises. If the quality is there, the stand texture looks good for the mill and everything, I say: I would appreciate it if I could come out and take a look.

Q. Fair enough. In your whole time, though, have you ever had an arraignment that I described, this last look, where you told the supplier: Go ahead and shop it. Let me have the last look at the log?

A. I don't recall.

Q. You don't recall ever having such a situation?

A. No.

Q. Were last looks like that covered in your antitrust training?

A. I don't know if they said last looks in our antitrust.

Q. Fair enough. Mr. Johnson just asked you some questions about Bill Nelson in the early 1980s. You were at Centralia at the time, correct?

A. Correct.

* * *

[Tr. 82] three grades?

A. Correct.

Q. When the scalers are going through at the mill looking at the logs, they input all that information in a little handheld?

A. Correct.

Q. That information goes to a central location in Portland?

A. I believe so, yes, our log system.

Q. Is it your understanding, sir, that all purchases from Weyerhaeuser timberlands, transfer of purchases, are at the same as market prices?

A. That's correct.

MR. KELLEY: Thank you.

THE COURT: Any further questions?

MR. JOHNSON: No further questions.

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[Vol. 7-A (Apr. 16, 2003)] [Testimony of Philip Tedder]

* * *

[Tr. 87] was marked as demonstrative Exhibit No. 18, which is this map of the United States?

A. Yes.

Q. I won't ask you to describe it as it has been fully described previously, but were you the person who pulled together the data that went into the standing hardwood inventory information as well as the hardwood lumber production information that is displayed in the purple and red circles?

A. Yes, I was.

Q. For the record, Dr. Tedder, the data that you developed this map from was from what year?

A. Well, it is from several years. The production date of the – the hardwood production lumber data is from the census of manufacturing from 2001. I think that's indicated down there on the bottom. The hardwood inventory is from different years. Most of them are 2000 and earlier.

The Forest Service does recurring inventory of each state over a ten-year rolling average. They update it every five years. So to give an average date on that inventory that was portrayed, I would say the average date of it is about five years old.

Q. Okay. Thank you. Dr. Tedder, there is some evidence in this case to the effect that Weyerhaeuser actually owns approximately 7 percent of the standing alder inventory in [Tr. 88] Oregon and Washington. There are other – there is other evidence showing that Weyerhaeuser in the late '90s was purchasing approximately 64 percent of the alder sawlog harvest in Oregon and Washington. If you would, sir, please assume that both those sets of facts are true.

Do you have an opinion about whether Weyerhaeuser, given those facts, has the power to control the price for alder sawlogs in Oregon and Washington?

A. Yes.

Q. And what is that opinion?

A. I think that anybody that has a 65 percent ability to – that purchases 65 percent of the volume that is harvested each year, they have a very strong control over what price they want to pay for it.

Q. Now, Dr. Tedder, did you also look at the question of whether there is an economically distinct market for finished alder lumber?

A. Yes.

Q. Is there a distinct market, economically distinct market, for alder lumber?

A. I think there is a fairly distinct market for alder of lumber. It is used for cabinet facing, furniture, that sort of thing locally. I think there is some that is peeled. I'm not sure it is used as facing. I think it is used as core veneer. I would say it is distinct.

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[Tr. 90] largest sawmills in the Eugene of area?

A. Seneca sawmill today, I think, is either first or second in lumber production in a single spot.

Q. In Oregon?

A. In the United States.

Q. Now, in your experience running those mills, as well as your experience as a forest economist looking at log and lumber supply and market performance, could you describe your own views on the relationship between log and lumber markets?

A. Yes.

Q. Please do so.

A. Log prices have to follow lumber prices because if they don't, you eventually are not going to make any money.

So in the softwood market you will find that there is usually a lagged value of softwood logs to the softwood lumber price. Now, the lag of that is caused by the fact that you just don't buy logs on a daily basis. You go and look at a stand to appraise the stand. It may take a couple of months once you look at it to harvest it to get it to your log decks.

So you are bidding on logs based upon the lumber price that is going on right now and you think might happen later. But a lot of times that doesn't turn out right. So there is always a little bit of a lag of the log price. If [Tr. 91] the lumber price falls, log prices will fall.

If lumber prices go up – it is kind of funny – log prices go up a little faster on that side of the coin. But they always have to follow because there always has to be that log-to-lumber ratio that affords a producer, a manufacturer, to make some money.

They get out of whack. Every once in a while, every couple of months, they pull apart, but they pull back together. And they kind of oscillate in an area that generally allows some of the lower end producers to break even or make a little bit of money. So that's the relationship.

Q. So you have observed that – both in your work over the last 30 years, you have observed that both in the hardwood log and lumber markets as well as the softwood log and lumber markets. Is that correct?

A. That's correct.

Q. Now, did you also examine the expert witness disclosure statement of William Nelson?

A. Yes.

Q. Specifically did you have an opportunity to examine the methodology that Mark Rasmussen used to develop a number of his scenarios designed to show how much the log market for alder sawlogs was increased by Northwest Hardwoods based upon certain assumptions during the period of '97 through

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[Tr. 93] objective in the markets they are in?

A. Their objective, and it is clearly stated that they want to be the No. 1 producer in the individual wood product sectors.

Q. As a forest economist, what's the advantage of that to the company that gets to that position?

A. Well, the more volume that you have at your availability, the more you can affect what price you sell it at.

Q. And what's important about being able to set the price at which you sell the product?

A. The more you have, the stronger you are in negotiating the selling price.

Q. And the higher your profits then?

A. Usually it is the way it works out.

Q. Now, Dr. Tedder, I want you to assume for the moment and for purposes of this question that Weyerhaeuser has a 75 percent market share of the market for finished alder lumber in the United States.

Are you aware, sir, of any other wood products market segment or wood products market where any company enjoys a share that is as high as 75 percent?

A. No. I think the next closest thing is Louisiana Pacific's OSB production, about 50 percent U.S. production, but nothing close to that.

[Tr. 94] Q. And you are talking about all market segments in the wood products industry in the whole of the United States?

A. Yes.

Q. Now, there has been some mention in this case of alder being a come-along species. Are you familiar with that term?

A. Yes.

Q. Do you agree that alder is a come-along species?

A. Yes.

Q. Harvested generally along with the dominant species in the Northwest, like conifer?

A. That's correct.

Q. Now, from a forest economic standpoint where alder is a come-along species, is it more or less sensitive to the forces of supply and demand?

A. I think it would be really less sensitive.

Q. Why do you say that?

A. Well, it is either there or it isn't there. You have a certain amount available to you that is harvested when you harvest the softwood stands. The person or the owner of these companies – of the logs has to get rid of it. It is there whether you want it or not.

Q. So from the standpoint of a landowner with a patch of timber that they wish to harvest, the driver is going to be when they decide to put conifer logs into the market. Is [Tr. 95] that your understanding?

A. That's right. And then you don't – you can't store the alder because you have to replant under the State Forest Practices Act the stand that you took off of.

Q. Now, I would like to display on the on the screen Exhibit 99. Are you familiar with Exhibit 99, Dr. Tedder?

A. Yes.

Q. Does this show the log inventories at Northwest Hardwoods' Longview mill from '89 through 2000?

A. That's what I understand it to be.

Q. Now, in your opinion if we look at 1989 and 1993, are you aware of any business reason to run up log inventories of alder logs to those levels?

A. No.

Q. Why do you say that?

A. Well, for two reasons. One, you know, that's in the winter, so you want to have a few logs built up. I think some of those come because people accelerate their harvest or manufacturers tend to come up a little bit in preparation for the winter years.

But you really don't want to hold that much volume. One, of course, it will stain. The logs will degrade, even if it is raining on them. Some of the logs get crushed, broken, that sort of thing. But another business reason, you know, from the standpoint of running a [Tr. 96] company.

You look at that number there, that's 18 million feet. So 18 million feet at $400 a thousand, $500 a thousand, that's 8- or $9 million. If you can get by with half of it, it is not really a good business decision to be spending money on a very large log deck because you have to borrow against that log deck as well. It just reduced your crediting from an individual mill's perspective.

Q. I would like to display now Exhibit 82. You understand this to be a depiction of Weyerhaeuser's – Northwest Hardwoods' division lumber inventories from '88 to 2000?

A. Yes.

Q. Now, there has been reference to a statement in Weyerhaeuser's 1998 annual report referring to 1998 as a year in which there were market downturns. And "Mr. Rogel says we took downtime to balance inventory levels with market conditions."

Looking at this data displayed on Exhibit 82, does it appear that Northwest Hardwoods followed the advisor statement of Mr. Rogel that I just quoted?

A. Well, when you look at that, after you have added all the mills in there, it looks like to me it goes up instead of down. It goes up quite a bit from '98 – it looks like a mill in '99 came down and back up and fell off some. It is

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[Tr. 103] what caused that to know what really happened?

A. I don't understand your question.

Q. Yes, sir.

A. I thought that pulp mill was a different business than the hardwood sawmill business.

Q. So what did Northwest Hardwoods' Longview mill do with those pulp logs?

A. They probably whole log chipped them and sold them the to a pulp mill.

Q. Which pulp mill?

A. Weyerhaeuser's pulp mill, but it is a different business.

Q. Thank you, sir. Now, Mr. Haglund asked you whether or not log prices have to follow lumber prices. Do you recall that?

A. Yes.

Q. And you gave a long answer about that. You were mostly talking about softwoods, weren't you?

A. Yes.

Q. Thank you. Would you agree or disagree with the following statement: If you harvest less softwoods in the Pacific Northwest, you have less alder coming along with those softwood harvests?

A. I would say that that's generally a correct statement.

Q. Would you agree or disagree with the next statement:

* * *

[Tr. 113] expresses frustration and concern over how high alder sawlog prices have gotten.

MR. HAGLUND: Is this a speech or question?

THE COURT: It is a speech. We will let it go on for a little while longer.

THE WITNESS: Frustration and concern over the alder sawlog high prices.

BY MR. SIMON:

Q. Assume that there is agreement with that frustration and concern.

A. By whom?

Q. By a number of folks with him. A guy named Jerry Martin, John Martin and mill managers. End of assumption.

A. That's a good assumption on that one.

Q. Is that set of facts consistent or inconsistent with your conclusion that as of early 2001 Northwest Hardwoods could control the price of alder sawlogs?

A. Well, based upon the fact that Rob Taylor runs it, and you said that he said that he was upset with the high price of alder sawlogs and all his management at Weyerhaeuser agreed with him, then it is inconsistent.

MR. SIMON: Thank you, sir. I appreciate your time.

THE COURT: Further questions?

MR. HAGLUND: Yes.

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[Vol. 7-A (Apr. 16, 2003)] [Testimony of Delroy Fisher]

* * *

[Tr. 118] Q. Did you have supervisory responsibilities?

A. Yes. I had four resource managers in Washington and Oregon. Below those folks there was another eight log buyers. Then in 2000 I also had another resource manager at our Delta mill in British Columbia, and we had three additional log buyers working.

Q. During this entire time period who did you report to?

A. Rob Taylor, vice president of business.

Q. Now, during that period, say 1997 through 2000, what were the factors affecting the price of alder sawlogs as you saw it is as the western raw materials manager for Northwest Hardwoods?

A. During that period, I would generally characterize the '97 through 2000 period as one of declining resource for a number of reasons and also increasing sawmill capacity. Some of the reasons for the decline, I think it was well mentioned here through this case so far, is that there were new sets of regulations being adopted in both Oregon and Washington. We were also feeling the impact of the 1994 Northwest Forest Plan from the federal government. Those chiefly were the two big reasons.

Then also during that period there was a very low chip market. Chip markets were declining. Domestic – or the conifer markets were also declining, both domestically and export. Consequently you have this increase in [Tr. 119] capacity, lowering supply, which tends to drive prices higher on the hardwood.

I would also say that – I'm sure you all know about the come-along aspect of alder. I would just exemplify that a little bit, if I could. If you took any acre of ground out there, with a mixture of softwood and hardwood, the typical com-

mercial forest would have about ten loads per acre on it. Eight to nine of those loads is going to be conifer. One to two loads are going to be hardwood.

You can tell the supply of hardwood is very much related to the marketability of that softwood component. That becomes an artificial constraint on supply as the softwood markets go down.

Q. Mr. Fisher, what is the Forest and Fish Report?

A. The Forest and Fish Report was one of those examples of regulations that were applied in the late '90s. It was actually implemented in the year 2000, early 2000, as an emergency rule. I believe it was in March of 2000. Then it became a permanent rule later that year. Essentially what it did was it added protection around fish-bearing streams.

We have been operating under a Forest Practices Code – I am speaking of Washington here – it is very similar for Oregon as well. This particular Forest and Fish Report was from Washington. We had been operating under a set of laws that were adopted in the '70s. They were [Tr. 120] updated in the '90s. But really they hadn't changed significantly in that period of time.

It became a point where the federal government started understanding more about the salmon populations and their habitats. It became clear, as I think you all know, the salmon became listed as an endangered species. This developed into a process called the Timber, Fish and Wildlife which was a group of people representing basically all the stakeholders in the community: The forest industry, the regulatory people, consumers, general public, and the federal agencies as well.

The attempt was, in Washington state, was to get all stakeholders – and I forgot to mention the Native American Tribes as well were involved. We tried to get all the stakeholders in a room and agreeing what would be an effective way to protect the salmon habitat in the state of Washington.

That was an arduous process, adversarial. We did have environmental groups involved in that as well.

Eventually that did culminate in 2000 with a rule that essentially expanded those buffer zones, those zones that are very close to the streams from approximately 25 to 50 feet under the old rules to as much as 180 feet under these new rules.

There was opportunity with the new rule to do some partial extraction. But the cost of this is a very [Tr. 121] complicated and complex rule to understand just how much you could remove from this riparian zone. It took a lot of money, a lot of landowners, especially small ones and even large ones, even Weyerhaeuser to some extent, did not want to invest that money to understand how much they could actually extract. So in a lot of cases that full buffer became unable to be logged.

50 foot of that was automatically no touch. Nothing could happen on either side of the stream for 50 feet. That remainder, roughly 100 to 130 feet, there was some partial logging that you could do. But the cost was very difficult because you actually had to measure every tree that was in this buffer zone.

Then you would have to develop – put that into a model to understand just how many trees you could remove which was stated in the regulation. Then based on that you would have to get an approved application through the Department of Natural Resources to do that extraction.

The whole concept – and I think it is a good one actually – but that entire concept was to help improve the streams by providing more adjacent woody material on either side of the stream that would eventually over time fall into the stream and create a better habitat for the fish.

Now alder, unfortunately, that is some of the best places where alder grows. So we took a disproportionate hit [Tr.

122] compared to the conifer logs or conifer timber in the forest because most of the alder is in those riparian zones or very close to them.

There was one study that actually found that over 50 percent of the area tied up in this new area was indeed hardwood. So there was a significant impact due to these new regulations. There were similar laws, although they are not actually included yet in the state of Oregon –

MR. HAGLUND: Objection, Your Honor. Incomplete laws.

THE COURT: Yes. Ask another question.

BY MR. JOHNSON:

Q. Mr. Fisher, I want to show you – first off, would you submit monthly reports to Mr. Taylor about what your observations were about what was going on in terms of the raw material flow?

A. Yes. I was required, like all of the managers that reported to Mr. Taylor, to provide him with a monthly report on what was going on in your segment of the business.

That particular report from me tried to summarize in a general way what was happening to our inventories, or log prices, our purchasing ability and what might be impacted in that purchasing ability as well as some other specialty projects I was working on.

Q. I would like to show you a couple passages from things

* * *

[Tr. 125] month, September of 1998.

Could we pull that up, Mr. Moody.

You write: "Competitor activity increased throughout the month: Lost bids from Hampton, Simpson, Port Blakely and

Merrill Ring, evidence indicating as high as $50 over our offers. With low inventories at all competitors, due mostly to low logging activity from fire weather, price acceleration is likely until inventories recover. Washington Alder and Westwood began purchasing."

First, who are Hampton, Simpson, Port Blakely Merrill Ring?

A. Those are major timber suppliers in Washington state and Oregon. All of these names mentioned here, they put their volume up basically on a quarter basis. They will send you a prospectus of how much wood they have for sale. They will ask all the competitors, softwood and hardwood, to submit bids for that quarter. You have got one bid, one shot. And as I indicated here, we were not successful on any of those.

Q. How would you hear that you were $50 below the competitor's offers at that point?

A. Once the bids are finally accepted and they find out who basically got the bid, they will tell you if you were close. Whether this is an accurate number, who knows? They like to tell you that you were way off. They happen to

* * *

[Tr. 132] chipping operation that sits right next to the mill. So that was the supply for export chipping as well as our domestic needs. The domestic needs there are to third-party customers that we sell to.

In this particular time we were buying a little bit more pulp logs. But, again, the pulp logs were for chipping after we did some extraction. The remainder of that was for chip supply.

Q. Thank you, Mr. Moody.

Mr. Fisher, I now want to turn to something a little bit different. There has been testimony and discussion in this

case about a process called IDS. What is IDS and what was your involvement generally in that process?

A. IDS stands for investment, direction and setting. That was a Weyerhaeuser way of looking at each one of our businesses. I think Mr. Taylor actually described that fairly well yesterday. But it is a process that the senior management people at Weyerhaeuser – it is a tool actually to assess how each one of the multiple businesses of Weyerhaeuser are doing. Like any other competitive situation, each one of the businesses inside of Weyerhaeuser are competing for capital dollars.

This was one tool to help assess and allocate those capital dollars. It was a snapshot that we did – I think we did it maybe three times I think, as I recall. It [Tr. 133] was a snapshot view of your business at one point in time taking a look at what you are presently doing and seeing where you think you might be going in the future.

Q. So you reported this IDS process up to senior management at Weyerhaeuser?

A. That's right.

Q. Was the IDS – what was put together in the IDS, was that distributed to your resource managers or other people within Northwest Hardwoods?

A. No. That was a fairly confidential document. It was just for the senior leaders of the businesses. I think we shared some excerpts of it to an expanded lead team of managers. But basically that was a very confidential document that was for review internally.

Q. Right. Do you have the witness notebook there?

A. I do.

Q. Going up to Exhibit 400, Plaintiffs' Exhibit 400.

A. All right.

Q. First off, I will represent to you that the highly confidential sealed exhibits were put on by the attorneys in this case. I see it says: Northwest Hardwoods' projected supply share. At the bottom, do you see where it says: The source, Dick Wakely, Del Fisher, 3-99." Did you have any involvement in putting together this document?

A. Yes. I did the raw material section in this document [Tr. 134] trying to assess from our strategic planning group, which is where Mr. Wakely came from. He did the forecasting, what he thought the available wood might be.

That's a key message here. It is not what really will happen. It was what we think might be available to happen. So it is a projection and an estimate at this particular point in time.

I supplied, in looking at the fiber – one of the real difficult parts in doing an exercise like this is trying to understand what is sawable fiber. As you recall, there is a large inventory out there of hardwood that includes pulp logs as well as sawlogs, and the definition of sawlogs is constantly moving.

Q. Wait. What do you mean by that? Why is the definition of pulp logs and sawlogs constantly moving?

A. Really it aligns to several factors: One, what your customer base is looking for on the lumber side and your mill capability to extract lumber from smaller and smaller diameter logs.

Northwest Hardwoods, we knew the resource was shrinking. Now, that's a general term. It is declining. We may have years that it still does very well, but then years it falls off maybe harder than it should. But all of those are factors based around the other factors that I talked about earlier, which is the softwood markets, the

* * *

[Tr. 138] estimate of where we thought people were. I mean, we all basically understand what cost and raw material is. We all basically understand what it takes to run a sawmill. We have a general idea of what the lumber markets are. So you can get to some understanding of margins. We obviously knew our own. The rest was an assessment.

What we did conclude out of this and what you will see perhaps in a later chart was that there was, in fact, overcapacity for the supply as we saw it coming. That was going to have to be reckoned with in some way with our own facilities as well as the market in general. So we are showing here on this chart that there is probably not enough wood to serve all of these operators.

Q. Now, in terms of the discussions on the IDS what was the strategy then of Northwest Hardwoods in terms of this view that you had that the supply may be constrained in the future?

A. We needed to be the best we could be. That's really what we always – that is what we always try to be. We know our markets. We don't really try to focus on others. We look at our markets, what our growth potential is. We try to buy raw material that best fits our facilities, and we try to keep growing our business, quite frankly.

Q. There has been discussion in this case, and you have been talking about supply of hardwood sawlogs or hardwood [Tr. 139] logs in the late 1990s into 2000. How did this reduction of supply and these new entrants affect the price of hardwood logs in the Pacific Northwest?

A. I think before I answer that directly, because it is related to where we are, we are in Washington and Oregon and one mill in British Columbia, but each one of our mill locations is in a log market area.

I have heard a lot of comments here that we are lumping all of the Northwest's hardwoods together and comparing it

to the rest of the industry and so forth. In reality, we work within a log market area. That means the way we can buy logs in that local area is where you are going to be most competitive.

Most of our logs are bought within a 50- to 75-mile radius of our mills. We actually have five different – our mills are located in five marketing areas, log sourcing areas. There are log sourcing areas where we do not have mills.

But in those areas it has its own dynamics of supply and demand, different quality of wood. Some competitors are more aggressive than others. There may be more competitors in any one particular market. You have to really understand the effect of price. It is really how it is occurring in each one of the marketing areas that we exist in. With the exception of the Sedro Woolley mill and [Tr. 140] Arlington mill, we only have one mill in each of those supply areas. Sedro Woolley and Arlington, I would say, are in both the same supply area.

Q. Mr. Fisher, during this time frame, say '97 to 2000, what was the strategy of Northwest Hardwoods in terms of raw material costs to the mills?

A. Our strategy was always to buy the best log we could get for our conversion facilities at the best possible price which means the lowest possible price and at the same time treating our suppliers fairly.

In other words, we liked to establish long relationships with our suppliers, but we never forced them to deal with us. We just always tell them what we think we can afford to pay for logs. We manage then an inventory for each one of those mills to be sure we don't go too far over our inventory targets or too far under. Both have big impacts on the financials of each one of the mills.

You should also understand that each one of these mills have their own P & L, their own profit and loss. We do sum them up on the statement at the end of the month and quarter,

but each one of those mills is an independent profit center. Those mill managers are responsible for their log costs and their profitability.

So there is an interaction that goes on between our resource people and the mill manager. Ultimately it is [Tr. 141] the mill manager that is going to answer for his profit and loss statement.

Q. Mr. Fisher, was it ever the strategy of Northwest Hardwoods to raise the cost of logs to hurt competitors?

A. Absolutely not.

Q. Was it ever the strategy of Northwest Hardwoods to buy more logs than you needed in order to keep logs away from competitors?

A. Absolutely not. That would be a defeative attitude. But, again, if we buy too many logs than we need, they would just spoil. One of the things that we practice and preach to our suppliers is that we want fresh logs. In saying that, it is very difficult. We are constantly improving to do a better job on that.

In the summer months, as you have heard, logs do degrade very fast once they come off the stump. As soon as it is off the stump, it is susceptible to stain and it usually doesn't happen – it probably takes about four weeks in really warm weather for that to occur. In winter months it is not nearly as bad, but we focus all the time with our suppliers to give us fresh logs.

MR. JOHNSON: No further questions.

THE COURT: Cross-examination.

MR. HAGLUND: Thank you, Your Honor.

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[Tr. 143] MR. HAGLUND: I'm sorry, Mr. Fisher.

BY MR. HAGLUND:

Q. Do you have 1257 there?

A. Yes.

Q. Turn to page 3 of that document.

A. I don't see page numbers.

Q. At the bottom it has got your Weyerhaeuser Bates stamp of 055524.

A. Okay.

Q. Do you see that?

A. Yes.

Q. Now, actually, I apologize. Go to the page before that, 23. If you look – I will highlight it. Is this your January 1998 set of notes?

A. I believe so.

Q. Do you in your notes here, "Note the misalignment or disconnect between the log and lumber markets"?

A. Yes. What I'm referring to there is, again, I take a look at lumber markets as part of my job as well. But that's not my responsibility. But logs, like I just said, an example I just gave you, you can have logs running higher or lower than what lumber markets are doing. That's probably what I was commenting on here.

Q. Now, are you looking at Exhibit 1275 now?

A. Yes.

* * *

[Tr. 146] Q. Now, negotiation training, I want to ask you some questions about that. Isn't it true, Mr. Fisher, that Weyerhaeuser, Northwest Hardwoods, trains buyers to develop last look relationships with its major suppliers?

A. No, it is not.

Q. And that's your testimony here under oath?

A. Yes.

Q. Okay. Let's turn to page – if you could look at the page in the exhibit that ends with the number 24.

A. On 478 or 1275?

Q. Either one. It was just this one page missing that we have now talked about.

A. What's the number again?

Q. Ending in 24. This is your February 1998 report. You found it?

A. Yes.

Q. I would like to highlight a sentence. It reads: "Relations with major suppliers continues to improve; Crown Pacific, Rayonier, PLS, Willamette, G-P and Roseburg are generally in first refusal positions."

A. That's correct.

Q. Sir, isn't a first refusal position exactly the same as having a situation where you have got the last look at that parties' volume?

A. Absolutely not.

[Tr. 147] Q. Isn't it a situation, sir, where with these large industrial landowners, like Roseburg Forest Products, Willamette Industries, Georgia-Pacific, you develop a relationship with that supplier where they know if they go into the market to get a price from a competitor knowing they will come back to you and you have a right of first refusal to match the competitor bid and get that wood?

A. No, that's not correct at all.

What we do with these particular suppliers, we do have relationships with all of them, and we do sit down and we do try to negotiate price. Sometimes they say they are willing to; sometimes they say they want to put bids up. There is never anything that is always continuous, but we are always working with all of our suppliers, whether small or large, to get the logs that we are looking for.

Q. Mr. Fisher, is it your testimony, sir, that first refusal has no meaning in this sentence?

A. I didn't say that at all. First refusal means we can sit down with them; that they will listen to our log bids or our log prices that we would offer. They have no obligation to stay with us at all. They can go to someone else if they so desire.

Q. Mr. Fisher, if you – are you all right?

A. Yes, sir.

Q. You have signed some contracts that are in evidence in [Tr. 148] this case that have the term "right of first refusal" right in there, haven't you?

A. In the contract?

Q. Right.

A. Are you referring to the G-P contract?

Q. Yes.

A. Yes. That was a contract that we negotiated with those folks for a buy/sell relationship which was selling some softwood logs out of our northern Washington region and being able to buy some logs with alder logs down in Toledo off of their tree farm. Again, first refusal just means that we have the opportunity to sit down and discuss our price with them. They do not have to accept it.

Q. That's not right at all, is it?

MR. JOHNSON: Objection.

THE COURT: You can argue that. Move ahead.

BY MR. HAGLUND:

Q. Could the witness be shown Exhibits 430 and 431.

A. Are we done with these?

Q. No, not yet.

A. I have them.

Q. Mr. Fisher, do you have Exhibit 430 in front of you?

A. I do.

Q. Now, this is the 1998 contract under which Georgia-Pacific agreed to sell 80 percent of their hardwood [Tr. 149] volume sawlogs from the Toledo tree farm to your company, right?

A. That's correct.

Q. If one looks at paragraph 3 in the purchase price section, did we see the term "right of first refusal" in the second to last sentence?

A. Yes.

Q. And that sentence reads: "It is understood that both companies will always have the first right of refusal on the base volumes. If the buyer is unwilling to pay the sales price, then the volume commitment is assumed to have been met by seller for that quarter."

Now, when you have a right of first refusal in a contract, isn't it your understanding, as you have managed these contracts over the years, that it means that if the seller of some alder log volume comes to you and says – or they have got a legal obligation if they get a quote from a competitor to bring you that quote and give you the right to meet it, correct?

A. That would be a process that could define first right of refusal. That's not the way these contracts were actually administered.

Q. But as you understand the contract documentation, Weyerhaeuser, when it has a right of first refusal in the contract, has a right to require the seller to sell the logs [Tr. 150] to Weyerhaeuser provided you will match the competitor's price, correct?

A. In this particular contract, yes.

Q. And isn't it true, sir, that when you have an oral right of first refusal understanding with a major supplier, it is the very same thing, just not reduced to a written contract?

A. That's not the context in which we did business with those suppliers. I may, in fact, have used the wrong word in that report. But that's not the way we actually conducted business.

Q. But if that's the understanding, it should be no different than what you described relative to when that term is included in a contract, correct?

MR. JOHNSON: Objection.

THE COURT: Objection will be sustained.

BY MR. HAGLUND:

Q. Now, Mr. Fisher, I would like you to turn to the page ending 33.

A. Which exhibit?

Q. Either one.

THE COURT: Give him the number.

MR. HAGLUND: Sorry, Your Honor. 478. That's the complete one.

THE WITNESS: What was the number?

* * *

[Tr. 153] circled on this exhibit, correct?

MR. JOHNSON: Objection. I want to clarify. I don't think the pink area is the state forest.

MR. HAGLUND: Oh, you are very right, Mr. Johnson. I'm sorry.

BY MR. HAGLUND:

Q. It is the blue, the much larger zone, correct?

A. Yeah, I think that's right. It is blue.

Q. The pink is Willamette Industries that at this point in time was not yet, November of '98, a hostile takeover target of your company which was announced two years later, correct?

A. I believe that is the Willamette ownership.

Q. Okay. But to restate my question, and I appreciate the correction on the state lands, the Tillamook and Clatsop state forests are shown in blue in the area that I'm outlining on the screen, correct?

A. I believe that's right.

Q. And depending upon which forest and where it was located, that volume could have very well gone to Longview, correct?

A. I don't know the location of that sale.

Q. I just asked you: Depending on where it was located, if it was far enough north, it could have likely gone to Longview, correct?

* * *

[Vol. 7-B Tr. 5] had closed, correct?

A. When was that date?

Q. August of '98.

A. Well, it says here, "They began." I don't know if that necessarily was right in September, but you could be right.

Q. Okay. And if you look also on this page, there's a reference to, "Oregon land and timber prepared for bid sales. One unit sold this month. Sales will be sold with hardwoods reserved." See that?

A. Yes.

Q. Now, is it a fair statement that this refers to the fact that when Weyerhaeuser sold land it acquired from Diamond Wood in the late 1990s, that for much of that land, you included a deed restriction requiring the buyer to commit to sending the alder saw logs – any alder saw logs harvested in the next three years to Northwest Hardwoods at prices designated in the deed restriction?

A. We established a guaranteed price for the alder saw logs at the time these prospectuses were sent out. Essentially what it did, it guaranteed a delivery and guaranteed a price, not unlike the Oregon Department of Forestry would do with their sales where they would peg a price for the minor species and then bid the major species, such as Douglas fir. This is a very similar process, except this included the land as well.

[Tr. 6] Q. Isn't it a fair statement, Mr. Fisher, that the landowner was required under the terms of those deed restrictions to deliver any alder they harvested from the land they bought from your company in the next three years to a Northwest Hardwoods mill?

A. If they chose to harvest, that's correct.

Q. They did not have the freedom to sell it to anybody else, correct?

A. Not for the first three years, that's correct.

Q. Okay. Now, you're familiar with the contracts that were entered into with Crown Pacific; is that right?

A. Yes.

Q. And is it a fair statement that those were a unique form of contract in that Weyerhaeuser agreed to prepay 25 percent of the estimated value up front?

A. These contracts – first of all, Crown Pacific came to us with this recommendation. They were trying to sell timber and put it into a calendar year for their tax purposes and earnings purposes, mostly for their earnings purposes, so they approached us on hardwood. They also approached other folks on their softwood to advance them money, so they could book these sales as lump sum timber sales in that calendar year.

Q. Okay. So if I understand it, this allowed by – you accommodated what amounts to a kind of an accounting gimmick

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[Tr. 23] would be over time in terms of a percent of the alder saw log market, correct?

A. As a percent of the available saw logs. Not necessarily what was harvested.

Q. And isn't it also true that you projected an ability to push log prices down over time?

A. We always bought log against – our logs against the current market. That is a very dynamic situation that has a lot of factors I think have been thoroughly explained to everyone. And we base – for that particular point in time where were did this report, we were using the best knowledge that we had at that time.

Q. Mr. Fisher, on April 24, 2001, do you remember participating in one of these IDS strategy setting sessions?

A. I think I may have. I think that was the last – the last one I participated in.

Q. Do you remember projecting an ability to push log costs down in the future?

A. No, I do not. That's bad terminology. Again, we buy our logs based on the market conditions at the time, and this was, again, a snapshot view of what we thought we'd be able to do to predict log prices out into the future.

Q. Do you recall what you projected out into the future?

A. No, not at this time.

Q. Would it refresh your recollection if you could see an [Tr. 24] original of the document that you used at that meeting?

A. It might.

MR. HAGLUND: Your Honor, I'd ask that the witness be handed impeachment Exhibit 495.

(The clerk complies.)

BY MR. HAGLUND:

Q. Have you had a chance to examine Exhibit 495, Mr. Fisher?

A. Yes.

Q. Does it refresh your recollection regarding what you projected was going to happen to log costs into the future, 2001, 2002, 2003?

A. I think, as you can see here, if you go back to 1999, looking at Centralia, for example, that I discussed a little earlier the dynamics that were occurring in the year 2000. Domestic or conifer prices were under a lot of pressure, poor markets, new regulations that have set in, and there was a real concern about maintaining inventories in front of the mill, which caused this price run in 2001 and 2000.

Markets got better after that. Our thought was that this period of time would start looking more like the previous years when things might be in a bit better balance and not running irrationally, where log prices were running very irrational to the – to the normal market that we were more experienced with back in the '97, '98, '99 period.

[Tr. 25] Q. Mr. Fisher, yesterday I think one of your executives referred to discussions in the first quarter of '01, and used words to the effect that, "We were very focused on managing our raw material costs down." Do you remember that type of testimony yesterday?

A. He was always focused on trying to get the best log price for the best quality log, which meant lower log prices whenever we could get them.

Q. But I guess my question is, sir, with your recollection refreshed now, here's a meeting April 24, 2001, two weeks before Ross-Simmons was closing its doors, and isn't it true, sir, that you were projecting your log costs to go down across the division in 2002 and 2003, correct?

A. These are outlook projections. I am not saying these things happened, but, again, the irrational pricing that was occurring in 2000 we didn't think would continue.

THE COURT: It would simplify if you would just answer the question yes or no if you can and then explain it.

Restate the question. Let's get to the question.

BY MR. HAGLUND:

Q. Isn't it true, Mr. Fisher, with your recollection refreshed from Exhibit 495, that at this meeting on April 24, '01, that you projected your log costs to go down in 2002 and 2003?

[Tr. 26] A. That's what this – yes, that's what this chart says.

Q. Thank you. My last question, sir, is: Didn't you also calculate the impact on the bottom line of the division of every $10 reduction in divisional log costs?

A. Yes, it appears that that's on this page.

Q. And isn't it true that every $10 reduction in your log costs as a division was projected to add $2 million to the bottom line of the Northwest Hardwoods?

A. That was an estimate. Again, whether that actually happened or not, but any – any reduction in log costs would certainly go to the bottom line.

Q. My question was very simple. All it takes is yes or no.

A. I thought I answered it.

Q. At that meeting in April '01, did you project that every reduction in the log costs that you could achieve in the future would net two million bucks to the bottom line?

A. I think that was the hypothetical situation for $10, that's correct.

MR. HAGLUND: Thank you. No further questions.

THE COURT: Cross-examination – redirect, Mr. Johnson.

* * *

[Tr. 29] with the Department of Revenue. Roll out one in ten and do a full scale on those. That data then gets rolled up as a sample and extended across those loads that have not been sampled.

Q. So if those logs – the pulp load are then scaled, they would come in at a lower than average price; is that correct?

A. Yes.

Q. Now, other mills within the Northwest Hardwood system, for instance, Arlington, buys pulp logs, right?

A. That's correct.

Q. And is the same thing done there in terms of trying to extract saw logs when they can be found?

A. Yes, same system.

Q. And is that the same thing that's done in Eugene?

A. Yes.

Q. And is that the same thing that's done at the other mills?

A. Yes.

Q. Is Weyerhaeuser then treated any differently than other third parties in terms of the pulp loads that come into the yards at the Northwest Hardwoods mills?

A. Absolutely not. In fact, I think what was testified yesterday, we have to be sure that we treat our internal customers the same as we do our external customers.

* * *

[Tr. 31] A. Okay.

Q. Do you see 55539? Do you see that page?

A. Okay.

Q. Midway down the page, Mr. Haglund put this up earlier, it said, "Aerial recon of competitor logs in Washington indicated low to moderate inventories." What do you recall of what this was about?

A. This is a practice that we normally don't do, but what memory I do have of this, Jerry Martin and myself, we rented a helicopter one day to go out and look at those alder plantations I mentioned earlier, and I think in doing that, we flew over several competitors on the way to doing that. That's the only recollection I ever have of doing any aerial reconnaissance.

Q. And on Page 24 of that exhibit –

A. Okay.

Q. – there was the passage that Mr. Haglund spent some time on that says, "Crown Pacific, Rainier, PLS, Willamette, GP and Roseburg are generally in first refusal positions." When you wrote this, what did you mean by that term?

A. What I meant by that is we had a negotiating position that we were able to sit down with these suppliers and discuss log prices. And we tried to buy their logs.

Q. And I just want to make sure that we're clear on this issue from before. Why does Northwest Hardwoods try to

* * *

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[Testimony of Randall Pozdena]

* * *

[Tr. 42] Q. Let's take it down to some examples. Say, for example, the automobile industry or the car, is a Toyota Camry a relevant market? And, if not, why not?

A. No, clearly not. The reason is that a Toyota Camry competes with – meets in the marketplace, if you will, many other vehicles that are very close substitutes for it, may not be perfect substitutes but they're substitutes in the following sense. If the price of a Toyota Camry gets cheap enough even people who drive Mercedes may choose to buy a Toyota.

Conversely, if a Toyota becomes pricy enough, as it did in recent years when the yen exchange rate moved against the product in the United States, people will switch away from Toyotas to American vehicles. So it's clear that a brand or even perhaps a style of vehicle or a size of vehicle does not constitute in and of itself by itself a relevant market.

Q. Dr. Pozdena, are you aware that in this lawsuit the plaintiffs allege two different relevant markets. First, they allege a relevant market for finished alder lumber and they also allege a relevant market for alder logs. Are you aware of that?

A. I am, sir.

Q. Let's take those separately. Let's first talk about plaintiffs' allegation that the relevant market is finished [Tr. 43] alder lumber. Do you agree or disagree with that?

A. Strongly disagree that alder, finished alder lumber, constitutes a relevant market.

Q. Would you take us through generally your reasons and then I think we've got some exhibits to display that will help give a more drilled-down analysis.

A. First, let's do the common sense notion. One of the reasons that alder has come into prominence is, in fact, because of its substitutability for other species of wood in the marketplace. It has a benign grain pattern, is easily machined and managed. It can be stained in a variety of ways, and that's the reason, in fact, why alder has suddenly become a popular hardwood, because people recognize that it's a good substitute for the increasingly scarce eastern hardwoods, mainly eastern hardwoods, cherry, maple, ash, and so forth.

So that's sort of a homely sort of explanation. But more quantitatively, one can examine the price movements in alder finish, alder lumber, over time, compare them with the price movements in eastern hardwood lumber over time, and we find that they track each other uncannily well, extremely well, and we can measure that quantitatively, using certain statistical techniques.

Q. Dr. Pozdena, do you have before you Exhibits 1309 and 1308A?

[Tr. 44] A. I'm not quite sure.

Q. I think the clerk may have just handed it to you.

A. Oh, I'm sorry.

Q. 1309 and 1308A.

A. Yes, I have them in front of me now.

Q. Am I correct in thinking it would be easier to start with 1309?

A. I think so.

MR. SIMON: Your Honor, with the Court's

permission, may I put up a blowup of 1309?

THE COURT: You may.

MR. SIMON: Your Honor, may I ask Dr. Pozdena to come down here because some of the print is a little bit fine?

THE COURT: You may.

MR. SIMON: Dr. Pozdena.

(The witness complies.)

BY MR. SIMON:

Q. I have 1309 here. And I think you also might be able to see it on the screens as well. Would you take us through 1309 and tell us what it shows.

A. Yes. The red line is an index of the prices of all hardwood lumber. That's inclusive of the eastern hardwood lumber, maple, cherry, ash, and so forth that grow primarily on the East Coast.

[Tr. 45] The black line is the price index for Pacific Northwest alder lumber obtained from the Northwest Hardwoods actual western products sales regional database. So it's the actual transaction prices of alder lumber that was sold out in the region here.

Q. Now, is this chart by itself sufficient to yield any meaningful conclusions in your profession?

A. Well, I think it's – I think it's very illustrative of just how uncannily these price trends move together. There are small departures and wiggles and wobbles in the curves; but, in general, these price indices move very, very closely together.

Q. Are there techniques, though, that you can use that will help us really understand more precisely how well alder lumber relates by price to other hardwood lumbers?

A. Yes. The authorities in this area recommend two statistical techniques. They're kind of simple statistical techniques, and I'll try to make them unjargony if I can. One is to simply take the simple correlation of the prices themselves over time.

And as you can see from this picture, I'll argue that these prices are highly correlated. Their movements are highly correlated. There's a lump there, there's a lump there. There's a large dip there and a rise and correspondingly for both types – for both types of [Tr. 46] hardwoods.

So that's one way to do it, just take a simple correlation. We did that actually in my first expert report. We just took that simple correlation. The correlation is very, very high. We did it species by species. This is an index of all hardwood lumber, but we did it species by species and demonstrated those high correlations.

Q. Let's put that up next, and ask that you comment on 1308A which I'd also ask be put on the monitor.

Now, it will be easier to read on the monitor, but if you can just orient us to this chart and explain to us what you did and how you did it.

A. Yes. This is actually the second correlation calculation that we did, which is to address – if I might back up just a moment –

Q. Sure.

A. – Mr. Simon, and address an issue and put this chart back up there. I am not sure the jury can see this unless I put it up there.

Q. I've got it.

A. One argument – these correlations are very high. One argument might be, well, there is something – some other common factor that's causing them all to move together, and has nothing to do with the substitutability of these [Tr. 47] products.

The old notion of a rising tide floats all boats, so it could be something like general inflation. It could be something like the pattern of housing starts, something like that. So the simple calculation doesn't address that issue, but we did get a

very high correlation doing that simple calculation. To address this – the issue that maybe there is some general rising tide floating all boats, we adjusted this for housing starts and inflation; that is, we controlled for it. We still got the high correlations.

We still got the high correlations in the price movement which suggests that it wasn't some general – what we call macro-economic factor causing these prices to move together, but rather the true substitutability of these products in so many uses.

I don't know what kind of hardwood is under the padded arms of my sofa. I don't know what kind of hardwood makes up the sub-straight of my dining room table top, what's under that mahogany veneer, what's under that dark mahogany stain.

These species are incredibly substitutable, and if you go into Ethan Allen, the salespeople probably don't even know what species of hardwood is in their products, in their furniture products. So as long as we're talking about wood [Tr. 48] that is hard and wood that can be stained and made to look a certain way, these are obviously very highly substitutable.

And we have calculated correlation indicators of just how highly substitutable they are. And the most substitutable pairs of products are, I think, the sort of yellowish or yellow-greenish box surrounding them. This doesn't mean that these others aren't, by the way, correlated, but perhaps there just wasn't enough sales of something like that in order for that data to show through.

But the main impact of this, of course, is to show that northwest alder is highly correlated with many other species.

Q. Why don't you get on the stand. And when we get to other charts, I'll invite you to come back, with the Court's permission.

A. (The witness complies.)

Q. Now, what I'd like to do for the next few minutes, though, is to respond to a criticism that was leveled against your analysis here early in this trial by Mark Rasmussen primarily.

Were you present when Mr. Rasmussen was critiquing and commenting on your price correlation analysis?

A. Yes.

Q. And you heard his criticism or comments that it didn't take into account first differences or things like that?

[Tr. 49] A. Yes.

Q. I think it will be more precise if it comes from you. Would you relate to us, please, what it was that Mr. Rasmussen was criticizing about your analysis and then tell us whether he was right or wrong and why not – and why?

A. Yes. Do you mind being a picture stand again?

Q. No. What should I hold up?

A. Hold up the chart or the graphic.

THE WITNESS: Your Honor, may I step down again?

THE COURT: You may?

THE WITNESS: Not that one. I want the picture.

BY MR. SIMON:

Q. This one?

A. Yes.

Q. Okay. And we're putting up 1309. So maybe it will be helpful to project that on the screens as well.

A. Mr. Rasmussen introduced the notion of not taking correlations between simple levels of these prices as they

move like this, but rather first differences. And that's kind of a jargony term, but what it means is the change in the price.

I'm highlighting with my laser beam here, one such first difference would be, it can be the change of this price from there to there (indicating). I'm not going to [Tr. 50] call it first differences. Let me just call it a wiggle. That's the way it shows up on this chart.

What Mr. Rasmussen said was when he measured these wiggles and correlated the wiggles in the black line with the wiggles in the other hardwood prices, he didn't find much correlation, and you wouldn't. The reason, as you can see, is that the other hardwoods' line is very smooth, looks sort of like a slow, meandering Mississippi River or something like that with none of the sharp wiggles that you see in the alder data.

Now why is that? The reason is that the alder data uniquely comes from an actual database of actual sales, with the price weighted by the quantity of sales that's going on, and it captures every little jiggle, bounce and bump in that marketplace.

In contrast, the source of the data for eastern hardwood prices as noted here is the Hardwood Market Report. And the Hardwood Market Report collects the data in a manner that I can best describe as, "We go out and ask some folks." That is the database collection methodology.

They go out and they ask people, "What sort of range have you been seeing cherry trading at these days?" And when they get that information in, they round it off. And they may not go out everyday and they may not talk to everyone, and they certainly do not talk to everyone who [Tr. 51] traded cherry or hard rock maple or ash or whatever that same day.

THE COURT: Are you through with that chart now, Doctor?

THE WITNESS: Well, I just want to make one other point, Your Honor.

So as a consequence, you end up with this very smooth relationship. The data collection technique itself doesn't permit collecting the wiggles.

THE COURT: What I meant was, if you're through with the chart, you can put it back up.

THE WITNESS: Okay. Yes, Your Honor.

BY MR. SIMON:

Q. Now, another comment that Mr. Rasmussen made had something to do with his analogy of, for example, of tomatoes and airplanes and commenting that things like inflationary trends can account for similarities.

MR. HAGLUND: I am going to object. It was Dr. Zerbe who explained that, not –

THE COURT: The objection will be sustained. You can ask this witness questions about it.

BY MR. SIMON:

Q. Dr. Pozdena, with reference to 1308A, would you explain for us, please, what did you do to make sure that the results of your analysis was not being influenced by [Tr. 52] inflation or other general trends?

A. We used a statistical procedure called regression analysis to incorporate the inflation and housing start trends. And that procedure prompts you to purge that influence from the other things that might be influencing trends.

It's a widely accepted, widely-used statistical procedure for doing exactly such things. And, in fact, it's the procedure recommended by the authority that the plaintiffs rely on in their unfortunately mistargeted critique of my analysis.

Q. Dr. Pozdena, that ends my questions about the issue about an alder versus hardwood lumber market. I guess maybe just to get to the bottom line, what is your opinion in terms of what the relevant market is for purposes of this case?

A. I think it's very obvious that the relevant market is the hard – finished hardwood lumber market, not the alder lumber market, but the finished hardwood lumber market.

Q. If you could explain simply now, why?

A. Because we noticed that – first of all, there is just sort of the homily sort of things that I offered to the Court today about the obvious substitutability of this product. It's what's made this product popular and what made it from being a – turned it from being a weed into [Tr. 53] being a product that was worth selling to the marketplace – its substitutability for all these other products. But also and more quantitatively, that its price moves just like it is one of those other products.

Q. Now, based then upon your statement that the relevant market is the market for finished hardwood lumber, do you have an opinion on whether or not the defendant in this case, Northwest Hardwoods/Weyerhaeuser has market power or monopoly power in that market?

A. It does not. It has 2.5, if I am recalling correctly, only 2.5 percent market share in the hardwood lumber market.

Q. Now, I'd like you to assume that there's been some evidence in this case that would show that of the alder – of all of the alder that's sold, Northwest Hardwoods or Weyerhaeuser may have anywhere from 60 to 65, 70 or even 75 percent of all the alder sold. Does that give it market power?

A. It doesn't matter. If they attempt to raise the price too high, and that's what they would have to do, by the way, if they're ever going to recoup the losses from their alleged predatory behavior, is to raise the price of alder lumber in the marketplace.

If they attempt to raise that price, people will simply substitute, back away from alder to whatever they were using before they were using alder. And it will be [Tr. 54] some other probably East Coast hardwood or an imported hardwood lumber product.

Q. And along those lines, just so we have a complete record on this, would you tell us the antitrust economic definition of market power or monopoly power that you're using in that answer.

A. It means that the entity has power over price. That Weyerhaeuser has power over price. It can peg a price and the market kind of has to take it.

Q. Now, we've been talking about lumber. Now I would like to switch over to another topic, and that is the other alleged market, that plaintiffs claim is a relevant market and that's logs. The plaintiffs claim that alder logs are a relevant market.

First of all, what is your reaction – what is your response to that allegation? What's your opinion?

A. Well, if a relevant product of an industry is hardwood lumber, then the relevant input market is hardwood logs. I didn't use the term "alder," I used the term "hardwood logs."

So my response is that for the analysis of the input market to be consistent with the analysis of the output market, the relevant market for inputs has to be hardwood logs of all species.

Q. Do you have any opinion on whether or not Northwest [Tr. 55] Hardwoods or Weyerhaeuser had monopoly power or market power in the market for hardwood logs?

A. It certainly does not. And I would go further and say that even if I accepted just to be friendly that somehow alder logs were relevant, they don't have market power there either.

Q. All right. Let's explore that for a little bit then. Why?

A. Well, they own – the number seven percent has been bandied about, that Weyerhaeuser owns or controls these short term, these temporary agreements with other growers of the stumpage, seven percent. I think the actual number is more like five percent for both public and private lands. But whatever it is, it's a small number.

That's the relevant number to think about when you're thinking about market power in a storable commodity, like a log.

Q. Would you take us through that because I would like you to assume that there is some evidence in this trial that perhaps of all the alder logs or alder saw logs purchased – it can be saw logs or pulp logs right now – maybe Northwest Hardwoods or Weyerhaeuser might buy 60 or 65 percent or so or more of those logs that are actually bought and sold in a given year. Why isn't that the relevant measure?

A. Let me just use, again, sort of a simple example. My [Tr. 56] sons are now teenagers, but they wouldn't let me do this now. Let's say I took my son to the beach with a beach pail, and my son dipped it into the ocean and there were no other kids on the beach at the time and brought the pail up to me and said, "Dad, I'm only the one here with a pail. I'm harvesting 100 percent of the water that's being harvested out of the ocean today. You owe me a million dollars for this pail of water."

Obviously, my son has no market power. The ocean sits out there as something akin to the total amount of standing alder timber. For someone else to come along with a pail and compete with my son simply by entering and buying the – collecting the supply of water and competing with my son.

To put it – bring it back to the alder logs context, 97 percent – well, 93 to 95 percent of the standing alder timber is

up for grabs, so how can they possibly control prices? If they move it too much, if they tried to control the price, there would be an influx of other competitors into that market to grab onto that supply.

Q. Now, the evidence in this – the context in this case is that Northwest Hardwoods sells lumber, they buy logs. Does antitrust economics recognize the distinction in terminology between, let's say, market power on the selling end and market power on the buying end?

* * *

[Tr. 58] someone in their position from lowering log costs and achieving monopsony power? What are the restraining influences?

A. There are a couple of them. I refer to the storability of this commodity. What I mean by that is that if I – let me be Weyerhaeuser as alleged in this matter and I go into the woods and I offer the owners of standing timber stumpage too low a price, a price that they find offensively low.

They have the choice. They need not sell it to me. As a matter of fact, if they don't sell it to me, and this is something that is important in this particular marketplace, the tree continues to grow and actually gets more valuable, so the response will be for them to withhold supply from me.

And I am going to be very frustrated now. I can't buy supply at this low price. I'm going to have to bid – go back to that person and say, "How about if I offer you this? How about I offer you this?" And finally the price will get up to the reasonable level, because the seller has the ability to store that commodity and thwart my attempt to rip that person off for what that log is truly worth, for what those logs are truly worth.

The other is if you think about it this way, the logic of the plaintiffs' case is that during the early part of the predatory phase they are paying too much for logs

* * *

[Tr. 72] evidence perhaps that there is predation going on. And there is a formal test in the economics literature called the Areeda Turner test, and it's based on exactly this notion.

Q. Now, did I ask you to take a look at the Northwest Hardwoods financials to see if you saw any evidence of that?

A. Yes, you did.

Q. What did you find?

A. I found absolutely no evidence of that. It's in my report, I think, not in the exhibits I have in front of me; but in every mill in the time period at issue in this case, they were making positive profits on log purchases.

Q. Now, one of the of the issues that plaintiffs were talking about, as a matter of fact, they talked about it this afternoon. Were you in the courtroom when Mr. Fisher was asked questions about these internal transfer prices from Weyerhaeuser-owned timberlands to Northwest Hardwoods?

A. Yes, I was.

Q. Did I ask you to perform a detailed study of that?

A. Yes, sir, you did.

Q. Would you describe for us, first, what did I ask you to do? What did you do and then I'll ask you what did you find?

A. The ugliest thing that you asked us to do was to take 30 banker's boxes of data and turn it into a computer [Tr. 73] database, which we did with the assistance of an outside vendor.

What we then did with that data, which was called the log purchase database, we were able to examine comprehensively, not with cherry-picked examples as you've seen ear-

lier today in this courtroom, comprehensively whether there was any tendency for Weyerhaeuser to charge its own mills less for its own logs, logs coming off of its own land than it charged those mills for logs that were acquired off of third party land.

And we performed an extensive statistical analysis that is in my report. It's carefully tabulated in my report. And found that once you controlled for the sort quality of the logs, and that's actually the only variable that is needed to do this. We included log diameters and other things, too. Once you controlled for the sort quality of the logs, there was no difference.

It raised the question, why are we seeing differences in the examples that Mr. Haglund put on earlier today? And the reason is that in that database is a blend of saw logs and pulp log purchase data. And if you cherry pick them carefully enough, you can find differences because they do price differently, but not if you examine them comprehensively.

THE COURT: Excuse me just a minute. I am just a [Tr. 74] little bit concerned about this. I want to understand it.

THE WITNESS: Yes.

THE COURT: 501 to 505 are the exhibits that you put up.

THE WITNESS: Yes.

THE COURT: Aren't – isn't the same format used throughout those boxes?

THE WITNESS: Yes, it is.

THE COURT: What other information did you use that is not shown on those pages?

THE WITNESS: None.

THE COURT: How did you arrive at sorting, because those – we went through those pages and the format of them,

and I'm not sure I understand how you can come to a conclusion that the payments were equal.

THE WITNESS: I don't remember, sir, exactly how many – how many of those sheets there are in 30 banker's boxes, but we did the analysis on all of them. We didn't simply pick –

THE COURT: You're saying they all – just using the same figures that the plaintiffs used for 501 to 505, they all just came out about even?

THE WITNESS: That's correct, that's correct.

THE COURT: So you didn't use any different data, you just simply tabulated everything that is in those boxes?

[Tr. 75] THE WITNESS: That is correct.

BY MR. SIMON:

Q. Approximately how much time was spent doing that, not just by you, but by you, your assistants, the computer vending firm that did it all? Do you know approximately how many hours was spent doing that?

A. Well, I know just getting the data entered cost nearly $100,000. And our analysis inputting that data, which then came from the data, Scan One, the data vendor, in a relatively raw form into a database, I don't know – I don't know how many hours that would be, but lots of hours and lots of money.

Q. Now, I know I've asked you this question before, but I am going to ask you right now in this courtroom: Is there any cheaper, less expensive, less time-consuming way to get that type of accuracy without the results that you've just – without the efforts that you've just described?

A. No, sir, there's not. You run the risk of precisely what was demonstrated earlier today, that someone goes in

and picks out a couple of pages of that that supports their argument and ignore the rest of the boxes.

THE COURT: Let me ask you another question. Where are the figures? How did it come out? If you did all this, what are the figures? They didn't come out exactly even, I'm sure.

[Tr. 76] THE WITNESS: They did not come out exactly even, but they came out statistically exactly even. That is to say –

THE COURT: Well, where is some evidence of that? I am concerned about this.

MR. SIMON: Your Honor, those have been submitted in our expert witness reports and disclosures that have been filed with the Court and opposing counsel.

THE COURT: All right. That's what I wanted to know.

MR. SIMON: They are all set forth –

THE COURT: Which exhibits to your expert report?

THE WITNESS: Let's see, this would be to Supplementary Report 3, I believe.

MR. SIMON: Do you want me to bring it up to you and you can identify it?

THE WITNESS: Yes. I have a different copy with me.

THE COURT: The third supplemental report?

THE WITNESS: I believe so, but let me just check, Your Honor.

MR. SIMON: Let me bring you the amended second and third supplemental, and I can also bring you the original if you want.

MR. HAGLUND: Do you have another copy, counsel?

[Tr. 77] MR. SIMON: No, I have already given it to you.

THE COURT: You should have one of them, shouldn't you?

MR. HAGLUND: Yes, I do, Your Honor, but –

THE COURT: I know there are a lot of papers. You can use mine if you want to.

Give him this one.

MR. HAGLUND: Thank you, Your Honor.

THE COURT: Excuse me. Go ahead.

THE WITNESS: Yes. Your Honor, in the text beginning at Paragraph 20 on Page 12 of my third supplemental declaration is a lay description of what was done. In Exhibit C is the exact statistical analysis that was performed. And there are a series of tables, C2 and C3, one which was done for the Longview mill only, where I understand this allegation of supposedly cross-subsidizing or sum subsidizing that mill through this mechanism is most cogent – is most strongly made in this case. But then in Exhibit C3, it was done also for all Weyerhaeuser mills.

And what this analysis demonstrates, as the text explains I think better than I will probably do right here, is that most statistically important factor explaining the difference –

THE COURT: I am just concerned with figures. Do you come up with total figures for each of the columns on [Tr. 78] those sheets that we looked at?

THE WITNESS: No, sir. It's not done that way. It's done – what we use is information on the differences in sort quality between the private – I'm sorry, third party purchase logs in a given month and the sort quality of the – off the Weyerhaeuser land's logs in a given month.

THE COURT: Why wouldn't you just add up the columns, as the exhibits we saw? Why don't you just add up

the figures and see what it comes to? I don't understand the theory, in other words.

THE WITNESS: Well, because we don't know exactly how much the market value sort quality –

THE COURT: That's what I'm getting at. Did you use something else that's not in those boxes?

THE WITNESS: No, sir, I did not. I used just –

THE COURT: The sort quality doesn't show in there except as to the width of the lumber, medium, low or high grades. That's all there is.

THE WITNESS: And the diameter.

THE COURT: And the diameter.

THE WITNESS: And the volume of the sale in any given month.

THE COURT: So why not just add those up?

MR. SIMON: Your Honor, can I help a little bit for the Court?

[Tr. 79] THE COURT: Yes. I wish you would.

MR. SIMON: The documents that Mr. Haglund pulled out are not representative of all the other documents. The types of documents that he presented to you is those exhibits is not representative of what's in the sixteen or something or other boxes that we provided to them. There are other documents in there with a lot more detail.

THE COURT: This is exactly what I want to know.

MR. HAGLUND: I vigorously object to that characterization.

THE COURT: We're going to find out about this because this is what I want to know. I understood that 500 and 501 through 505 are exact duplicates of everything that's in

those boxes, only they take – a few of the items taken out. The rest of them are in the same format exactly.

THE WITNESS: Approximately the same format. Over the different years, they are printed out in a slightly different form.

THE COURT: Now, I understand from counsel that he's saying there is something else in those boxes besides those forms that we saw in 501 through 505. And if there is, that's what I want to know.

MR. SIMON: And, frankly, let me concede that Mr. Johnson knows what's in those boxes far better than I do, so I'll defer to him.

[Tr. 80] THE COURT: I want a straight answer. I saw 500 through 505. I saw the forms. Granted, those are selected out of those boxes. But are there any different forms than those that are in those boxes?

MR. JOHNSON: I am not sure what you mean by "forms," Your Honor.

THE COURT: Well, let's just start over. Let's look at 500, first page of 500. You can see the form there across the top. We reviewed it. In fact, I reviewed it specifically to make sure I understood with Mr. Fisher the columns, both left and across the top. Now, what I want to know: Is there something else in those boxes that's in a different format than that?

MR. JOHNSON: Yes, Your Honor. There are four different types of reports in those boxes. There are the purchase by contract reports, which are 500. There are inventory reports. There are vendor listing reports, and I can't remember what the other report is.

MR. HAGLUND: But, Your Honor, the only reports that show all the detail, high, medium, low, volume, price and diameter are the ones that we – are the monthly ones that we

have pulled, some October months for the Centralia and Longview mills.

MR. JOHNSON: And that's exactly the point, Your Honor. By taking just selected months, that's exactly [Tr. 81] the point that Dr. Pozdena is making. But if you look in the aggregate –

THE COURT: Just a minute, Mr. Johnson. The other thing I want to know is, though, are the other months in the same format as this?

THE WITNESS: Yes, Your Honor, they are.

MR. JOHNSON: For the report, yes.

THE COURT: All right. So my question, again, is why not take all of these reports that are in there and instead of going through some formula that I'm having difficulty understanding, why not just total up the items under six-inch, eight-inch, nine-inch, 10 to 11, 12 and 14, under high grades, add them up and see how they come out for both Weyerhaeuser purchases and third-party purchases?

THE WITNESS: A couple of reasons, Your Honor.

First of all, the – across the various reports, the diameter buckets, if I can call them that, the diameter classifications are not always constant, so that in some –

THE COURT: Wait a minute. Tell me about that. I want you to look at 500. Let's get 500. Put it up on the screen.

MR. SIMON: Can you see that, Dr. Pozdena, or can we get him a hard copy?

THE WITNESS: Not particularly well.

MR. SIMON: Can we get him a hard copy, [Tr. 82] Your Honor, please?

THE WITNESS: It's okay. It's okay.

THE COURT: Blow it up a little bit.

THE WITNESS: It's okay.

THE COURT: You can blow it up a little bit. There you are.

THE WITNESS: It's okay. Your Honor, if you look under the column that says "Diams," you'll see 6 to 7 inches, 8, 9, 10 to 11, 12 to 14. On some of the reports, those size – those diameter buckets six to seven, might be in some of them six to nine. In some of them, it might be eight to ten. In other words, there is not – over the years, the report format has changed somewhat.

It always has the diameter information, but it doesn't always have it in the same format. So I can't do the simple addition that you want to do. I have to control for the diameter measurements. You know, unfortunately a more complicated but more accurate fashion statistically. I can produce, however, a very simple picture that illustrates this graphically. And I did in an ill-fated attempt to submit the fourth supplementary report.

MR. SIMON: That's what we submitted, Your Honor, just before trial began, which the Court discussed before trial.

THE COURT: Well, you can see why I did, because [Tr. 83] it cost $100,000 to produce it at the last minute. It is going to be hard to analyze it. That's what I'm –

MR. SIMON: We have been responding to changing plaintiffs' allegations, Your Honor.

THE COURT: I won't argue that with you now. We'll take that up at the recess.

But I still want to ask you, Doctor, even though some of the other years' reports, is that what you're saying, have different sizes under "H," here?

THE WITNESS: Sizes under "diams."

THE COURT: Under diams along side of H?

THE WITNESS: Yes.

THE COURT: Even though they're different, you could have easily added up everything that was in the Hs and everything that was in the Ls to come up with the total figure. Did you do that?

THE WITNESS: I did not do that, sir, because – remember I have – I have this for every month for, I believe it's about six years. And to add them up would not allow me to respect the fact that prices are changing over time along with these other factors that are changing here, you know, the size and the sorting grade. So I have to do it – unfortunately, it is a multi-factorial kind of problem, and I have to treat it as such.

THE COURT: So if I understand correctly, now, [Tr. 84] Mr. Johnson, you're the expert on this, the only difference between any of the forms in the boxes is that some of them, for example, have different diameters than are set forth than those that are in 500?

MR. JOHNSON: The form is always the same, but for each entry for each separate vendor or log supplier, the form is different because different vendors or different suppliers submit their wood in different forms. Even Weyerhaeuser submits their logs in different forms. That's why it is harder to just do a simple calculation.

MR. HAGLUND: I completely disagree.

THE COURT: All right. I'll let you examine him. And we may have to analyze all of those boxes. We'll see. Let's go ahead with the examination by the lawyers.

Anything further for this witness?

BY MR. SIMON:

Q. I don't know. Dr. Pozdena, is there anything that I have left out – that I have not asked you that you can think of that supports your opinion?

MR. HAGLUND: Objection.

THE COURT: The objection will be overruled. I think he has covered most everything.

THE WITNESS: I am a little discombobulated. Let me think for a moment if there is something else I would like to speak to. I can't think of it right now, Mr. Simon.

* * *

[Tr. 104] Q. All of the consumers are the sawmills in the region, correct?

A. All of the users of that as an input are – they are not consumers. They are industries that use it as an input.

Q. They're buying the product called alder saw logs?

A. That is correct.

Q. And you'd agree from a geographic standpoint, there are no substitutes for those in this region, are there?

A. There are some Oregon maple, Oregon walnut.

Q. No substitutes that could replace it if it were lost, correct? You conceded that already.

A. I have conceded that, yes, sir.

Q. So isn't it true, Dr. Pozdena, that as to the saw log market this is a no-brainer, that is a relevant market, isn't it?

A. No, sir, it is not. Because if the market for the end product, the finish market, is national or perhaps even international in scope, where is the consumer harm from the loss of – and I don't know, is this a blight or something that's causing the loss of the alder?

I don't know the hypothetical that you're setting up here in great detail, but there will be virtually no injury to the consumer of finished hardwood lumber products, which is the relevant output market, and the one that injures – that has the potential to affect the consumer if [Tr. 105] alder saw logs go away. Yes, there will be some mill operators who will lose their jobs. There will be –

Q. I think you're going beyond my question.

A. I am just trying to make it clear that you're trying to get me to make a statement that is economically inconsistent with the underlying economics of my statements.

Q. Dr. Pozdena, you've referenced the purpose of the antitrust law a couple of times and you constantly refer to avoiding consumer harm. Isn't it another fundamental purpose of the antitrust laws to protect businesses' ability to compete?

A. To protect efficient –

Q. Protect competition?

A. To protect competition, yes.

Q. And isn't it true, as you understand the antitrust laws, Dr. Pozdena, that it would be illegal for a firm to deliberately take steps to drive another firm out of business?

A. I believe that if you can prove predation that that would be illegal, yes.

Q. Now, let's turn to your lumber analysis. I'm looking for that – here it is. Now, if I – I'm going to display Exhibit 1309. This is your exhibit, right?

A. Yes, it is.

Q. And if I remember your testimony correctly, you

* * *

[Tr. 107] Q. You don't find it in gymnasium floors or bowling alleys, do you?

A. I believe that's typically hard rock maple.

Q. Now, the graph that I just displayed, you took the 17 eastern hardwoods that you looked at and you averaged them all together to get one line, right?

A. I didn't average – I indexed them all. I added them all together as an index.

Q. And you found individually on another graph that you prepared very high correlations for each of the 17, correct, with alder?

A. That's correct. I wouldn't say each of the 17. I think most of the 17 had high correlations.

Q. And you found a high correlation for hard maple, right?

A. Yes.

Q. As well as cherry, correct?

A. Yes.

Q. And you've seen these materials, Exhibits 86 and 88, that Mr. Rasmussen prepared?

A. Yes.

Q. Now, and it's your testimony, sir, that the first differences or price change correlation analysis that Dr. Zerby and Mr. Rasmussen performed was completely the wrong thing to do, correct?

A. Cannot be done on this data and is not the [Tr. 108] recommendation of the authority that they themselves reference.

Q. Well, you referenced the Stigler and Sherwin article in your own original submission, didn't you?

A. Yes, I did. It is the authority in this area.

Q. And let me make sure I understand why you criticize the data. And this – you performed your own correlation using the very same data, correct?

A. Yes, I did.

Q. The top grade superior from Northwest Hardwoods for 11 years, and compared it to the top two grades together, FAS first and seconds for these 17 other eastern hardwoods, right?

A. Yes, that's correct.

Q. So the same data. And you criticized their use of the price change correlation because the Weyerhaeuser data is a monthly average of – well, let's back up a second, so we can get it out clearly. The Weyerhaeuser data is a monthly average of the actual division-wide price for that month for the superior lumber sold into the market, correct?

A. Yes. Weighted – each sale is weighted in the calculation of the average.

Q. And the data from the Hardwood Market Review is an average price determined by the leading publication tracking eastern hardwood lumber in the United States, right?

* * *

[Vol. 8-A] (Apr. 17, 2003)]
[Argument on Defendant's Motions and Jury Instructions]

* * *

[Tr. 121] MR. SIMON: One moment, please.

THE COURT: Yes.

On 1, 1A was not received. But one No. 1, the full edition, was received without objection.

THE CLERK: Is 1A withdrawn then?

THE COURT: 1A is withdrawn, I guess.

MR. HAGLUND: That's fine, Your Honor.

THE COURT: All right.

MR. SIMON: With the Court's permission, may I ask Ms. Julia Markley to take the primary lead in the discussion of our motions now at the close of the evidence?

THE COURT: I don't want discussion. I want your record complete as to what motions you are making without argument.

MR. SIMON: Very well.

THE COURT: I am not going to allow them at this time. I may reconsider them at the end of the case, depending on the verdict. All I want, without argument, is the motions that she wants to make.

MR. SIMON: We understand. May I ask permission to have Ms. Markley do it, subject to me adding something if I hear something left out at the end?

THE COURT: No, I won't allow that. I think one or the other ought to do it. That's the rule of the Court.

MR. SIMON: I know. That's why I made the [Tr. 122] request. I ask for relief from that rule.

THE COURT: I will consider it, depending on what happens. I think she is capable of doing it or else you can do it. It is not that complex.

MS. MARKLEY: Julia Markley for the defendant. We have a written motion for judgment as a matter of law that I'd like to submit to the Court and counsel.

THE COURT: All right. If that's so, we'll put those in the record and there's nothing further you need to do.

MS. MARKLEY: If I may briefly summarize for the Court orally.

THE COURT: You may.

MS. MARKLEY: Defendant moves for a judgment as a matter of law on liability grounds and on damages. On the liability grounds, defendant submits that plaintiffs' evidence shows nothing more than defendant raised its rivals' costs, which is a theory that has not been accepted by any Court, particularly in the circumstances –

THE COURT: It is not necessary to argue. Just give me the motions.

MS. MARKLEY: Second, the defendant moves as a matter of law that its contracts with Georgia Pacific and Crown Pacific are per se legal under the antitrust laws. The deed restrictions that Weyerhaeuser had in its land [Tr. 123] around Eugene that it sold after – that it acquired in the Diamond transaction are legal as a matter of law.

There is insufficient evidence of intentional false statements to the State of Washington Office of the Governor, and State of Oregon Forester, and plaintiffs' Section II claims cannot be based on those allegations.

There is insufficient evidence of attempted monopolization here because of the essential element of the dangerous probability of acquiring monopoly power. Every witness has testified that Weyerhaeuser actually –

THE COURT: It is not necessary to argue.

MS. MARKLEY: On the damages, plaintiffs have insufficient evidence of damages because all their damages evidence is speculative. The $20 million-dollar figure that –

THE COURT: It's not necessary to argue it.

MS. MARKLEY: The plaintiffs' damages models fail to control for causal factors other than Weyerhaeuser's conduct, like the Asian economic crisis. The plaintiffs' damages models fails to aggregate among the several allegedly predatory acts of the defendant.

THE COURT: All right. You want to add anything, Mr. Simon?

MR. SIMON: And we'd ask simply that those issues be taken away from the jury. In addition that, for all the [Tr. 124] specific issues that she's identified, that the jury should be so instructed that those are not proper claims in this case. The only thing I want to add to that motion, Your Honor –

THE COURT: Let's deal with this.

I'm going to deny the motions. I don't think it's necessary that actions of the defendant be illegal to be a factor in determining whether the plaintiff has proved a monopoly or not. So whether the actions with Crown Zellerbach and State of Washington and Oregon are legal or not, I don't think it is at issue, so I will not take those away from the jury. In fact, the defendant's instructions included comments on those specific things.

All right. Anything further?

MR. SIMON: Yes, Your Honor. It came up yesterday at least maybe even a day or two before that, a couple things. Mr. Haglund's questions to the witness, the Weyerhaeuser witnesses, asked about tying. And in light of that, I thought it important and necessary to have the jury instructed that –

what tying is, and that there is no evidence of tying in this case.

So we have prepared a Supplemental Jury Instruction No. 25 that we'd submit to the Court that basically takes tying out of this case. In addition, there has been a lot of testimony, especially yesterday with the [Tr. 125] cross-examination of Dr. Randall Pozdena regarding the defendant's internal transfer pricing issues.

And, again, we would ask that the jury be instructed. I have a written instruction here to submit to the Court, Instruction 26, that there is no law that requires a business to charge itself any particular internal price or to use any particular internal pricing method for resources that it owns and desires to use as a part of the manufacturing process.

If I may approach, I'll give a copy to the Court.

THE COURT: That's fine. They're noted. My recollection is, and I'll hear from the plaintiff, that there is no contention of legal tying in this case; is that correct?

MR. HAGLUND: Yes, Your Honor.

THE COURT: Tying, as such, involves a number of factors that haven't been delved into in this case, and I think the only testimony about tying was with relation to the testimony to control the price of logs, but I'll look at the instruction that was submitted, 25, and consider it.

I'm handing out to you now a set of instructions, a draft which is marked April 17th of 2003. Okay. And also a proposed verdict form. I want you to study those carefully, and as I indicated, we will, before argument starts this afternoon, at 12:30, an hour from now, we will [Tr. 126] take up any exceptions that you have to these written instructions.

In connection with that, I will ask you each to point out to me any of your instructions you feel are not covered that you want to make sure you have an exception to. Point that out

to me. I will not give you an automatic exception to submitted instructions unless you do.

The reason for that is, for example, on the plaintiffs', I have a set of 60 pages of proposed instructions that I can't believe the plaintiff really wants me to give, because they are so extensive and massive that no jury would possibly understand them when they were finished.

The defendant's are a little more concise, and I tried to consider the law and all the instructions submitted and combine them. What I believe both the Court and the lawyers have a duty to do is make instructions as simple as possible, recognizing that no matter how simple we make them in this case, they won't be simple, but at least we can reduce them as best as we possibly can.

So study those for the next hour, and at 12:30, we will take exceptions. The same to the verdict form, and I'll hear your suggestions. This is only a draft; however, as I indicated, this draft will be put in the Court records so the record will reveal what we're talking about when we [Tr. 127] take exceptions. Any question about that?

MR. HAGLUND: Not from the plaintiffs, Your Honor.

THE COURT: Mr. Simon?

MR. SIMON: No, Your Honor.

THE COURT: Okay. I will see you at 12:30.

We'll be in recess.

(Court adjourned, Volume 8-A, 11:45 a.m.)

* * *

[Vol. 8-B (Apr. 17, 2003)]
[Argument on Jury Instructions Cont'd]

* * *

[Tr. 3] THE COURT: All right. Let's start with the draft instructions I delivered to you April 17th at 8:31 a.m. We will take that first. Then we will go to the defendant's supplemental requested instructions. It is not necessary for the defendant to repeat the arguments that were made in the motions for a judgment that have been handed to me and filed on the record and stated on the record. So you don't have to repeat those.

Let's start with the plaintiff. Do you have any exceptions to the draft of instructions that I gave you? If so, give me the page and paragraph.

MR. HAGLUND: Yes, Your Honor. It is just one suggestion. On page 8, first paragraph, the last sentence of that paragraph where it says: A similar rule applies to monopsonist. The power to control price is the power. A monopsonist can either increase or decrease. So I think it would be accurate to change it to: The power to affect the price the monopsonist must pay.

THE COURT: Any objection to that change?

MS. MARKLEY: Yes, Your Honor. Monopsony is defined under the law as a power to reduce price. That will lead the defendant into several of the defendant's other [Tr. 4] objections to the jury instructions proposed.

THE COURT: All right. Let me say this to Mr. Haglund. Is there any evidence of anything other than reduction in the case?

MR. HAGLUND: Well, we have both, Your Honor. We have evidence that they raised the price to push out competition.

THE COURT: The price of what? Logs or lumbers?

MR. HAGLUND: Logs.

THE COURT: Logs. We also have evidence that they were planning to push the prices down in the future. We have both.

That would be a monopoly, wouldn't it?

MR. HAGLUND: As to logs, the input is monopsony.

THE COURT: Okay. Monopsony. As far as the logs go, your contention is that the defendant raised the price and reduced the possibility of your getting logs?

MR. HAGLUND: That's right. A monopsonist essentially just has power over price, to either raise them or reduce them.

THE COURT: I think that's right.

The difference between monopsony and monopoly is that monopsony relates to the acquisition, the ability to acquire the product rather than to sell it?

MR. HAGLUND: Correct.

[Tr. 5] THE COURT: Isn't that correct?

MS. MARKLEY: This is not a case that a competing sawmill can bring a Section 2 claim. This is not a proper case for monopsony. If plaintiffs are alleging that Weyerhaeuser raised the price of the inputs to the logs, this is the argument of the defendant that this is the raising rival's cost theory is what the plaintiffs are proceeding under. There is no legal supporting theory of monopolization or monopsonization.

THE COURT: All right. I understand your argument. That's part of your motion that you filed. But I think counsel is right, that in the case of a monopsony, it is the power to effect the price. I am going to change that so that you will both know. Instead of "reduce," it will be "effect."

Anything else that the plaintiff has?

MR. HAGLUND: That's all for the plaintiff.

THE COURT: All right. Exceptions by the defendant.

MS. MARKLEY: Defendant takes exception to page 10.

THE COURT: Which paragraph?

MS. MARKLEY: The paragraph at the bottom, the last full paragraph starting with "One of the plaintiffs' contentions."

[Tr. 6] THE COURT: All right.

MS. MARKLEY: Defendant takes exception because this is akin to a predatory pricing instruction. The U.S. Supreme Court test for predatory pricing as announced in the Brook Group case in 1993 is that plaintiffs must show below-cost pricing or that the defendant operated at a loss. This is a bright-line test announced in the Brook Group case. Defendant takes exception to that entire paragraph.

Again, this also implicates the raising rival's cost theory to which defendant objects that there be any instructions on that.

THE COURT: What's the plaintiffs' position on that paragraph?

MR. HAGLUND: Your Honor, it is our position that this is a fair summary of the Reid Brothers case. The Reid Brothers and Ninth Circuit case law, we believe, makes clear that if you can show below-cost operations by any measure, you are entitled to an instruction like this. We have in this case, Your Honor, in the exhibits evidence of below-cost operations of the Longview plant when one compares their profitability figures with the subsidy on Exhibit 482.

MS. MARKLEY: Your Honor, may I be heard?

THE COURT: I will call on you when I'm ready.

I don't see that that paragraph recites that you [Tr. 7] contend that the defendants had a loss. Let's look at that paragraph carefully.

MR. HAGLUND: I think you are right, Your Honor.

THE COURT: You agree that this is a predatory

pricing paragraph, as least that's what we have tried to put

in here. So it takes a raising of the price and a loss by

the defendant in the reasonable hope that they can recoup

it, doesn't it?

MR. HAGLUND: Yes. And we have recoupment

evidence as well.

THE COURT: I understand that. I'm talking about the language in this. So we need to make some additions to this paragraph, don't we?

MR. HAGLUND: Yes, Your Honor.

THE COURT: There has to be in that first sentence or following it some statement that the defendant sustained a loss. Let me get my expert involved in here.

That's why I ask if it was a predatory claim. I think that this is an accurate statement, but it is not an accurate statement as far as a predatory pricing goes. If you are not claiming this as predatory pricing paragraph, then we should take out the recoupment of losses.

MR. HAGLUND: I guess as it stands it is really not a predatory pricing paragraph.

THE COURT: If that's the case, is it even needed? [Tr. 8] We set forth what the plaintiffs' contentions are at another place. So if it is not a predatory paragraph, do we even need it in there? Let's find whatever we said the plaintiffs' contentions were. I don't see a general statement of the plain-

tiffs' contentions in here to the effect that the plaintiffs' claims, as I recall, and there was in one draft of the instructions the plaintiff contends that the defendant raised the price of logs and forced them out of business generally. So I'm going to do that.

I need to ask you now – this is a good time to ask you whether you do contend this is a predatory pricing case on behalf of the plaintiff? Do you think that there is evidence that would justify a predatory pricing instruction, keeping in mind that it would be up to the plaintiff to prove that the defendant raised the prices, sustained a loss as a result of raising those prices with the reasonable hope that they would recover that loss after the competition was gone. That's predation. The question is whether you contend you have evidence of that.

MR. HAGLUND: Your Honor, I think that based upon the strong evidence that we have in the record regarding the subsidy of the Longview mill we are entitled to the predatory pricing instruction.

THE COURT: Is there evidence that shows that without that predatory high pricing the mill would have [Tr. 9] sustained a loss?

MR. HAGLUND: If you just take their – I will make two points in closing. One, if you just look at 1998, for example, and what their actual pretax profit was, it is less than the $4.2 million subsidy that we show for that year.

In the year 2000, if you add back the selling and general and administrative expenses and account for a $2 million subsidy, they lost money in 2000.

THE COURT: Only in 2000?

MR. HAGLUND: Your Honor, I can't speak definitively.

THE COURT: It sounds looks like your other lawyer wants to speak.

MR. SCOTT: Your Honor, I'm Shay Scott, an attorney with Mr. Haglund.

THE COURT: I don't want you to argue, but you can talk to Mr. Haglund.

MR. HAGLUND: The other point we make, Your Honor, is that the Reid Brothers case makes it very clear that preclusive bidding is exclusionary conduct regardless of whether or not you can show recoupment.

THE COURT: I think it can be under certain circumstances and may be under this case. So that gets us back to the key question here, whether this particular [Tr. 10] paragraph should be left as separate from predatory pricing, in which case we leave out the reasonable expectation that subsequently the defendant could recoup its losses and if we're going to have a predatory pricing instruction, which should be separate. Or else this is the predatory pricing instruction, we need to put in here that the defendant did sustain some losses.

Do you agree with that?

MR. HAGLUND: Yes.

THE COURT: All right. Then, Ms. Markley, do you want to talk about that?

MS. MARKLEY: I'm sorry. Mr. Haglund wants the predatory pricing instruction?

THE COURT: Let's talk about this paragraph first. I assume you agree that based upon the Reid Brothers case I should submit unnecessary high bidding if it is exclusive of the plaintiff. You don't agree?

MS. MARKLEY: No. Brook Group, the Supreme Court test on predatory pricing –

THE COURT: Wait a minute. We are not talking about predatory pricing in that statement. In other words, high pricing to force a person out of a market or a plaintiff out of a market without predatory pricing can be an anticompetitive act, can't it?

MS. MARKLEY: No. We take exception to that [Tr. 11] instruction.

THE COURT: I understand then. I tell you what I'm going to do, I'm going to add into this and make it a predatory pricing paragraph by simply adding language that the defendant sustained a loss and leave the rest of the language alone. This will be a predatory pricing paragraph.

I will add another paragraph, for the purpose of your argument, which talks in terms of simply bidding to exclude a competitor can be an anticompetitive act.

MR. HAGLUND: Yes, Your Honor. I guess our suggestion there is that if you took the first four lines of that paragraph and put a period after "anticompetitive" without the recoupment expectation that would be consistent with Reid Brothers.

THE COURT: Wait a minute. Tell me that again.

MR. HAGLUND: Page 10.

THE COURT: Uh-huh.

MR. HAGLUND: If you put a period after the word "anticompetitive" at the end of the fourth line.

THE COURT: All right. Period after the word "act" in the fifth line.

MR. HAGLUND: Right.

THE COURT: Uh-huh. Leave out then, "If you also find that defendant had a reasonable expectation that it could consequently recoup any losses it sustained through [Tr. 12] this conduct," leave all the rest of that out.

MR. HAGLUND: Your Honor, we have rethought our situation. We do not request a predatory pricing instruction.

THE COURT: All right. I think that makes sense. I was considering taking that away and didn't put it in the instructions other than this. I think this correction will solve that problem and make it clear this is not a predatory pricing paragraph.

All right. Your next exception.

MS. MARKLEY: So the record is clear, defendant does take exception to that instruction –

THE COURT: Yes.

MS. MARKLEY: – as modified.

THE COURT: Next. Which page and which paragraph?

MS. MARKLEY: Page 4 of the Court's jury instructions where it talks about the purpose.

THE COURT: Just a minute. Page 4. Which paragraph?

MS. MARKLEY: The last full paragraph beginning, "The purpose of the Sherman Act."

THE COURT: Okay.

MS. MARKLEY: Defendant requests the Court to include defendant's proposed instruction No. 1.

THE COURT: Let me see that. Just a minute. I thought we had, but let's make sure.

* * *

[Vol. 8-B (Apr. 17, 2003)] [Plaintiffs' Closing Argument]

* * *

[Tr. 54] what they did.

Let's just briefly cover some of the key evidence. Weyerhaeuser claimed that plaintiffs are making serious charges, ladies and gentlemen, and by George, we are going to come in here and prove that they are wrong. Well, they fell awfully far short of coming even within a country mile of responding to these charges. Let me just give you a few of these examples.

You heard all but Weyerhaeuser witnesses say logs follow lumber. That happened as far back as we could get data from Weyerhaeuser. Logs following lumber. You saw it. You saw Dr. Tedder, Mr. Rasmussen, Mr. Ehinger. Every wood products industry expert in this case, Bill Nelson, all testified logs follow lumber. Maybe a month or two behind, but that's not what we see here.

We see a sustained upward drive of log costs while the supply remains steady while lumber is falling. That doesn't happen unless something strange is happening. That's exactly what happened here. Weyerhaeuser was deliberately pushing up the costs, and we saw Del Fisher acknowledge, when his recollection was refreshed by one of the unredacted exhibits, that, yes, we were projecting we would get log costs down in the future. Every ten bucks was $2 million to the bottom line.

What happened here, ladies and gentlemen? If you

* * *

[Tr. 56] the testimony, that it would be impossible to build and develop a mill of that size in B.C. because Weyerhaeuser has a dominant grip on the resource between the MacMillan-Blodel lands they acquired when they bought, not surprisingly the single largest forest product in all of Canada,

MacMillan-Blodel, and secured the only five alder licenses in the entire provinces when they bought Coast Mountain Hardwoods.

Now, Rob Taylor said the licenses really weren't much of a factor, and he tried to offer what didn't sound to me as a very persuasive explanation. They tried to buy Coast Mountain when it was weaker financially in '97 and '99. You heard Mr. Kidd say they offered $15 million and twice said, "We'll never offer a dime more than that."

But when Ross-Simmons enters the picture and tries to get involved in discussions to buy Coast Mountain while it is in intensive care in the year 2000, spring of 2000, on the ropes, looking for a way to solve its problems, be creative, turn-around professional Gordy Boyd, go to Vancouver, negotiate with Coast Mountain, Coast Mountain doesn't have the time, as Mr. Kidd explained, because the owner needed to sell the mill in a quicker fashion.

But what did Mr. Boyd say was proposed as the purchase price for Coast Mountain Hardwoods? $26 million. He thought the money could be raised within six months [Tr. 57] between equity and debt. Where would Ross-Simmons be today had they succeeded in buying Coast Mountain? I think they probably would still be here. Why? You saw yesterday, I think, in Exhibit 482 how much cheaper the resource is in British Columbia.

The average, ladies and gentlemen, if you remember, for all of 2001 for a 42 million board foot producing sawmill just south of Vancouver was $282 a thousand compared to the $400 to $500 per thousand board feet for all of Weyerhaeuser's alder mills in Oregon and Washington. That's a big gap. That's why as soon as Ross-Simmons was in the picture, Rob Taylor ran up and offered 26 million bucks and paid it fast and closed that transaction in 2000.

He says: Oh, the licenses weren't a very big deal. We really didn't factor that in. Well, look at Exhibit 307. The first page you have seen. And we went over it. The only alder specific licenses in entire British Columbia. 30 million board feet of volume is what Mr. Blaney testified this represented.

The second page really didn't get discussed. Let me just point something out. This was data in the forestry office about the value of these licenses over time. $78 million U.S. You need to make an adjustment out for some projected licenses that weren't secured and haven't [Tr. 58] been secured at this time frame. But still when you make the pro rata adjustment, the licenses themselves were over $50 million in value. Weyerhaeuser got the mill and these licenses for 26.

The log hoarding that we talked about, a lot of evidence about that. It is awfully hard to explain what you see in Exhibit 99 when you see the huge runups in inventory in '89 and '93. You heard testimony from people who don't have an ax to grind.

Why would Tom Collett, who gets a subpoena – he was deposed. He has been away from Weyerhaeuser for the last ten years. He works for that Javier Farms. He is still in the industry, but where he is working relates to forest land in the Dominican Republic. He was a personable person. He shows up. He talks for 15 minutes and relates a story.

He was in the sales office. Why do we have so much stained lumber? We are buying too many logs. Why are we buying too many logs? Because Arnold says there is only room for one alder sawmill in Longview. Here is a fellow – why in the world should his credibility be questioned? Mr. Simon was able to bring up absolutely nothing that should stick as to a fellow like Tom Collett.

Or let's take another example, George Lukin. George Lukin worked as a log buyer for the Tree Source or

* * *

[Tr. 68] what they show for Ross-Simmons/Toledo, which is the Joint Venture mill. They are showing that they're projecting them to use only 2 million board feet in 1998 and in 1999 they expect them to be gone: Zero, zero.

Combine that with what you see in your notebook. I don't even need to put them on the screen really. You have got them in your notebook. The graphs are definitive. They know that they are growing their share. Why are they tracking margins? Those weren't back of the envelope projections or estimates like they tried to say in this courthouse. They know what they are doing. It is a calculated move, and they are doing it in sync with the CEO.

Do you know who those Power Point presentations – my view is those were really for Steve Rogel, primarily for his consumption, and the team to rally around the goal line and the objective, which is to dominate alder, to show why we are going to be a significant segment in a $15 billion corporation and show how in sync we are with a CEO who is very candid about all his code words.

We want to consolidate the industry. There are too many players. Not enough market discipline. And who, when he can't get somebody to sit down and across the table agree to be bought out, like Arnold Curtis did with Diamond Wood and Goodyear Nelson, Steve Rogel, as you heard, announces a hostile takeover of a company like Willamette [Tr. 69] that was being pursued during this same critical time frame and I submit to you, ladies and gentlemen, affected the ability of Ross-Simmons, while it is intensive care, to survive.

Because you saw on the map that is displayed that Willamette owns a large amount of acreage in northwest Washington, right near the state forests that Weyerhaeuser also successfully gained an exemption to continue to be the controlling force with the false testimony that was presented.

Before I turn to damages, let me comment on one other instruction. You'll hear an instruction about witness false in part. That's an important instruction. As it says, if you distrust what a witness says in one part of their testimony, you should and can distrust the rest. I submit to you that happened regularly with multiple Weyerhaeuser witnesses because they just can't afford not to say things that are consistent with being in compliance with the antitrust laws because their jobs are on the line.

I feel sorry for the kind of pressure that they were put under, but in the force of all the questioning and when you contrast that with what they said with what the evidence really shows, there can't be much doubt that they weren't telling the truth in portions of their testimony. And the rest of it should be disbelieved as well.

* * *

[Vol. 8-B (Apr. 17, 2003)] [Plaintiffs' Rebuttal Argument]

* * *

[Tr. 123] at $82- or $92,000 a year until August of '01. Mr. Simon just flat out misstates the facts. He says: The $20 million scenario – it may have been 20 over three years. It might have gone back that far.

If you read the paragraph it says – I will go to the last sentence where he says: I understand we may be able to push our log costs down $20 million in '01.

Rhetorical question. Does that infer that we have given up some $40- to $60 million in the last three years? The three years is right there. That's $20 million a year over three years. That's the basis of the scenario. It is a perfectly legitimate basis out of their own documents.

Grant Wheeler. They had absolutely no answer to Grant Wheeler's plain, simple honest recitation of the threat he received from the great grandson of the founder of this company, who did not have the courtesy, the guts or the courage to show up here and face you.

Mr. Simon did not come close to living up to his commitment when they won't bring David Weyerhaeuser to look you in the eye and tell you that he did not threaten Grant Wheeler.

And Rod Buck comes and honestly says, plain and simple, he said: If you go into the sawmill business, Grant, we will cut you off. It couldn't have been plainer. They mention log buyers in the last couple of years of

* * *

EXCERPTS OF RELEVANT TRIAL EXHIBITS (BLACK AND WHITE)

[Exhibit 85a]

Correlation of KD Final Differences
After Sup 4/4 p... sdonia's KD FAS Eastern Hardwood Species
(Compare to ... Exhibit 7)

EXHIBIT
CV 00 1693 PA
85a

After Sup 4/4	After Sup 4/4	APPALACHIAN 4/4 FAS HARD MAPLE - UNSEL - KD	APPALACHIAN 4/4 FAS BASWOOD - KD	NORTHERN 4/4 HARD MAPLE - UNSEL - KD	NORTHERN 4/4 FAS BASSWOOD - KD	SOUTHERN 4/4 FAS COTTONWOOD - KD	NORTHERN 4/4 FAS SOFT MAPLE - KD	APPALACHIAN 4/4 FAS SOFT MAPLE = KD	NORTHERN 4/4 FAS RED OAK - KD	APPALACHIAN 4/4 FAS CHERRY - KD	APPALACHIAN 4/4 FAS POPLAR - KD	SOUTHERN 4/4 FAS RED OAK - KD	APPALACHIAN 4/4 FAS RED OAK - KD	SOUTHERN 4/4 FAS WHITE OAK - KD	APPALACHIAN 4/4 FAS WHITE OAK - KD	NORTHERN 4/4 FAS ASH - KD	SOUTHERN 4/4 FAS ASH - KD	APPALACHIAN 4/4 FAS ASH - KD	NORTHERN 4/4 FAS WHITE OAK - KD	Average of Eastern Hardwoods
After Sup 4/4	1.00																			
APPALACHIAN 4/4 FAS HARD MAPLE - UNSEL - KD	0.28	1.00																		
APPALACHIAN 4/4 FAS BASWOOD - KD	0.17	0.29	1.00																	
NORTHERN 4/4 HARD MAPLE - UNSEL - KD	0.23	0.85	0.30	1.00																
NORTHERN 4/4 FAS BASSWOOD - KD	0.16	0.29	0.44	0.33	1.00															
SOUTHERN 4/4 FAS COTTONWOOD - KD	0.17	0.10	0.25	0.01	0.23	1.00														
NORTHERN 4/4 FAS SOFT MAPLE - KD	0.33	0.47	0.34	0.59	0.60	0.15	1.00													
APPALACHIAN 4/4 FAS SOFT MAPLE = KD	0.30	0.46	0.38	0.50	0.35	0.15	0.76	1.00												
NORTHERN 4/4 FAS RED OAK - KD	0.22	0.40	0.54	0.42	0.42	0.39	0.38	0.33	1.00											
APPALACHIAN 4/4 FAS CHERRY - KD	0.06	0.22	0.34	0.29	0.19	0.16	0.36	0.46	0.41	1.00										
APPALACHIAN 4/4 FAS POPLAR - KD	0.15	0.36	0.52	0.43	0.47	0.24	0.45	0.53	0.48	0.27	1.00									
SOUTHERN 4/4 FAS RED OAK - KD	0.21	0.39	0.48	0.41	0.31	0.31	0.36	0.39	0.77	0.46	0.57	1.00								
APPALACHIAN 4/4 FAS RED OAK - KD	0.18	0.38	0.47	0.35	0.34	0.37	0.37	0.37	0.73	0.53	0.51	0.75	1.00							
SOUTHERN 4/4 FAS WHITE OAK - KD	0.13	0.23	0.29	0.17	0.10	0.06	0.03	0.10	0.36	0.21	0.13	0.18	0.35	1.00						
APPALACHIAN 4/4 FAS WHITE OAK - KD	0.06	0.14	0.18	0.14	0.21	-0.02	0.06	0.09	0.33	0.22	0.10	0.35	0.28	0.76	1.00					
NORTHERN 4/4 FAS ASH - KD	0.15	0.10	0.31	0.06	0.46	0.16	0.26	0.27	0.35	0.15	0.25	0.33	0.26	0.25	0.24	1.00				
SOUTHERN 4/4 FAS ASH - KD	0.10	0.21	0.32	0.22	0.46	0.21	0.26	0.26	0.44	0.28	0.32	0.42	0.34	0.33	0.21	0.57	1.00			
APPALACHIAN 4/4 FAS ASH - KD	0.12	0.26	0.39	0.24	0.57	0.12	0.33	0.31	0.46	0.32	0.37	0.39	0.43	0.25	0.26	0.59	0.57	1.00		
NORTHERN 4/4 FAS WHITE OAK - KD	0.14	0.18	0.14	0.12	0.10	0.01	-0.02	-0.02	0.33	0.01	-0.07	0.24	0.17	0.65	0.71	0.29	0.18	0.25	1.00	
Average of Eastern Hardwoods	0.23	0.64	0.60	0.65	0.61	0.32	0.65	0.66	0.76	0.57	0.68	0.78	0.76	0.47	0.44	0.50	0.56	0.63	0.33	1.00

[Exhibit 90a]

Comparison of Alder Harvest from ODF to NWH Mill Consumption (Mbf, Log Scale)

	Garbaldi Mill Consumption	Harvest from ODF Districts				% of Garibaldi Consumotion
		Astoria	Forest Grove	Tillamook	Total	
1996	16,224	1.128	367	2,017	3,511	21.6%
1997	18,721	6,408	31	1,889	8,328	44.5%
1998	22,602	4,134	20	812	4,966	22.0%
1999	24.338	2,443	40	5,697	8,180	33.6%
2000	23,168	2,332	94	1,262	3,687	15.9%
2001	18,529	5,782	204	1,232	7,218	39.0%

	Eugene Mill Consumption	Harvest from ODF Districts					% of Eugene
		West OR	Clack-Marion	West Lane	Coos	Total	
1996	34,723	840	447	4	839	2,130	6.1%
1997	35,546	1,905	16	-	73	1,994	5.6%
1998	36,673	406	267	7	537	1,216	3.3%
1999	39,576	1,168	55	8	674	1,904	4.8%
2000	42,025	713	0	0	862	1,575	3.7%
2001	42,717	256	1	0	1,389	1,646	3.9%

	Garbaldi + Eugene Mill Consumption	All ODF Districts	% of NWH mills in OR
1996	50,947	5,641	11.1%
1997	54,267	10,322	19.0%
1998	59,275	6,182	10.4%
1999	63,914	10,084	15.8%
2000	65,193	5,262	8.1%
2001	61,246	8,865	14.5%

Source: Timber Data Company; NWH financials, Novak

[Exhibit 124]

CLOSED HARDWOOD MILLS: 1980-2001

Closed Hardwood Mills: Oregon	Location	Year Closed
Calkins Coast Hardwoods	Rose Lodge	early 1980
Hendrix Lumber	Alsea	1987
Kohl, Inc.	Seaside	1988
K & M Wood Products	Coquille	early 1980's
P&M Cedar	Roseburg	2000
Precision Hardwoods of Oregon	Williamina	mid 1980's
Ross-Simmons/STEDCO Joint Venture	Toledo	1998
S&C Lumber	Grand Ronde	1996
Weatcoast Hardwood	Florence	1984
WTD Industries	Philomath	1990
WTD Industries	Tillamook	1988
Bauber Emerald Fir	St. Helens	late 1980's
Peter Max	Mollalla	early 1990
Wilamette Hardwoods, Inc.	Jasper	1992
Total: 14		

Closed Hardwood Mills: Washington	Location	Year Closed
Allworth Valley Mills	Battleground	1999
Bergeron Lumber & Hardwoods	Vancouver	1991
Grays Harbor Hardwoods	Hoaquiam	1991
Husby's Farm	Arlington	1990
Koenig & Sons	Sultan	early 1980's
North Star Lumber	Shelton	mid 1990's
Paxport Mills Inc.	Tacoma	1995
Port Angeles hardwoods	Port Angeles	early 1980's
Precision Wood Products	Vancouver	early 1990
Ross-Simmons Hardwood Lumber Co.	Longview	2001
Schaeedbeck Inc.	Tacoma	early 1980's
Shuksan Lumber	Stanwood	1991
Smokey Point Hardwoods	Arlington	1999
Schmidt Mill	Mt. Vernon	late 1980's
TreeSource	South Bend	2001
Little Rock Manufacturing	Little Rock	early 1980
Olympia Hardwood	Shelton	1987
Total: 17		

[Exhibit 125]

OPEN HARDWOOD MILLS: 2001

Open Hardwood Mills: Oregon	Location
Hardwood Components	Mehama
Morton Alder	Willamina
Rose City Hardwoods	Myrtle Point
Westwood Industries	Reedsport
Northwest Hardwoods	Eugene
Northwest Hardwoods	Garibaldi
Monroe Oak	Sheridan
Total: 7	

Open Hardwood Mills: Washington	Location
Alexander Lumber	Onalaska
Cascade hardwoods	Chehalis
Smith Street Mill	Everett
Washington Alder LLC	Mt. Vernon
Northwest Hardwoods	Arlington
Northwest Hardwoods	Centralia
Northwest Hardwoods	Longview
Northwest Hardwoods	Sedro-Woolley
Total: 8	

[Exhibit 126]

CALCULATION OF ROSS-SIMMONS LOST PROFITS (1997-2001)

Scenario A	Volume (MBF)	$ / MBF	Lost Profit or Reduced Cost
1997	42,342	$-0-	$ -0-
1998	35,151	89	3,128,439
1999	35,448	83	2,942,184
2000	30,315	84	2,546,460
2001 (Jan. 1-May 31)	12,631	84	1,061,004
			$9,678,087

Scenario B	Volume (MBF)	$ / MBF	Lost Profit or Reduced Cost
1997	42,342	$17	$719,814
1998	35,151	58	2,038,758
1999	35,448	98	3,473,904
2000	30,315	135	4,092,525
2001 (Jan. 1-May 31)	12,631	135	$12,030,186

Scenario C	Volume (MBF)	$ / MBF	Lost Profit or Reduced Cost
1997	42,343	$ 23	$ 973,889
1998	35,151	64	2,249,664
1999	35,448	98	3,473,904
2000	30,315	141	4,274,415
2001 (Jan. 1-May 31)	12,631	141	1,780,971
			$12,752,843

[Exhibit 127]

ROSS-SIMMONS PROFIT PROJECTION	
BASED ON TRENDING THREE-YEAR AVERAGE PROFIT FOR 1993-1995	
Year	Pretax Profit
1996	$2,120,800
1997	$2,311,300
1998	$2,518,800
1999	$2,745,000
2000	$2,991,500
2001	$3,260,200

[Exhibit 400]

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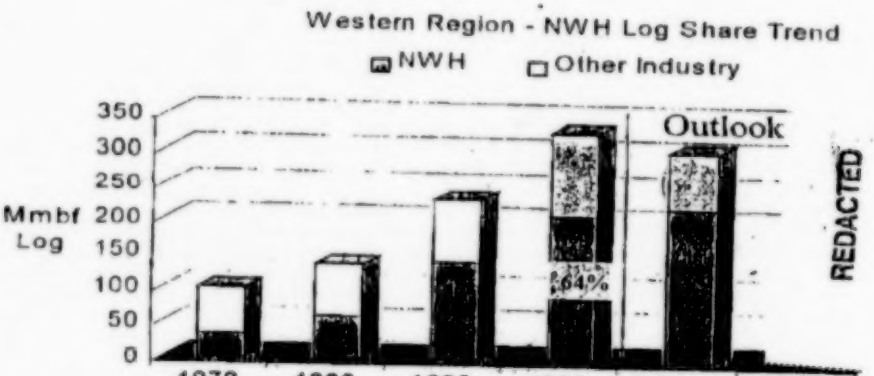
NWH Projected Supply Share

REDACTED



REDACTED

REDACTED

	1970	1980	1990	1998	1998-2002	2003-2007
# of Producing Mills	60	40	23	16	?	
# of NWH Mills	2	3	4	6	6	

REDACTED

Source: Dick Wakely, Del Fisher 3/99; Assumes 65% sawable fiber
Salmon impact: Land out of production estimated at 3%

EXHIBIT 400
CV 00 1693 PA
055900A

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SEALED EXHIBIT
Page 1

Western Region Outlook - Industry Consolidation History

WY 055595

- Industry consolidation has occurred in the West - NWH is the consolidator

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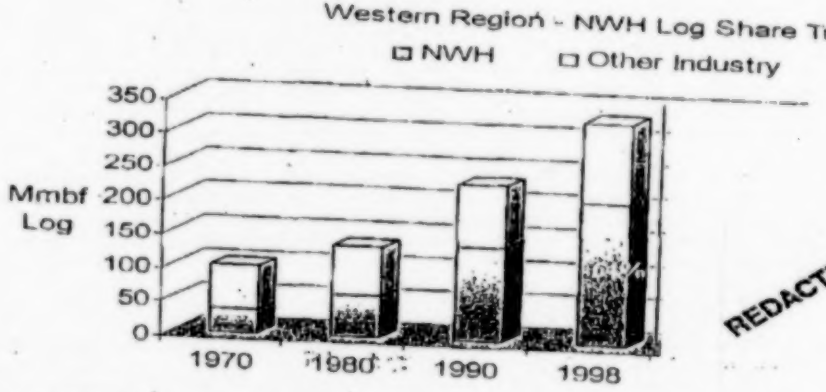

REDACTED

REDACTED

	1970	1980	1990	1998
# of Producing Mills	60	40	23	16
# of NWH Mills	2	3	4	6

Source: Dick Wakely, Del Fisher 3/99; Assumes 65% useable fiber Salmon impact; Land out of production estimated at 3%

EXHIBIT
CV 00-1693 PA
401

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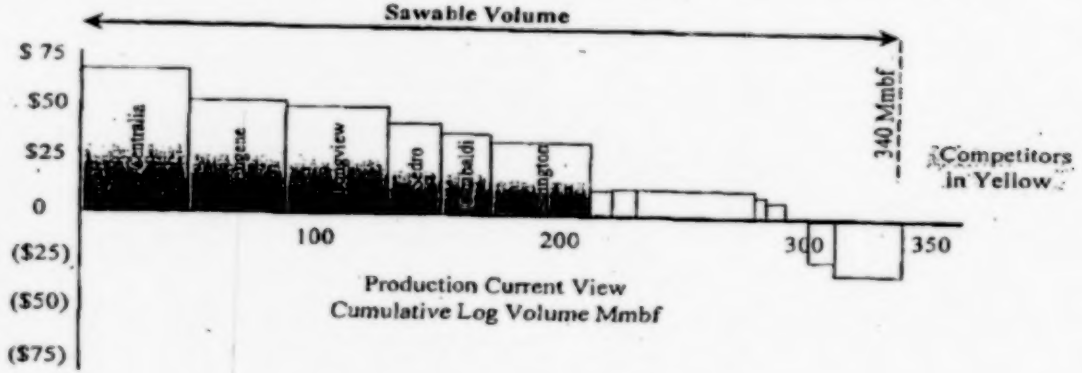
[Exhibit 401]

Western Competitive Position

- Alder log supply and demand is in better balance due to curtailment last year; 30-40 Mmbf over capacity still in system
- The balance of supply and capacity varies within the 5 sourcing areas with Northern Washington and NW Oregon the most constrained
- Western competitors and NWH realized lower margins for third consecutive year



Source: Competitor margins and capacity based on internal market knowledge

EXHIBIT
402
CV 00-6198-PA
WY 055611

[Exhibit 403]

NWH IDS 2000(log volume only; rest in 1999)
WA & OR ALDER SUPPLY & COMPETITOR MARGINS INPUT = YELLOW

Alder/Maple Saw Timber Harvest: Source Dick Wakely & Del Fisher 4/2000

Western WA – Sawable projected harvest volumes							
	1995-1999	2000-2004	2005-2009	2010-2014	205-214	00-04	95-99
Fees	38						
Other Large Private	78						
Small Private	62						
Public	22						
Total Alder/maple sawable	200						
Total hardwood	351						
% Alder/maple	95%						
% Sawable	80%						
Western OR – Sawable projected harvest volumes							
	1995-1999	2000-2004	2005-2009	2010-2014	205-214	00-04	95-99
Fees	4						
Other Large Private	71						
Small Private	18						
Public	5						
Total Alder/maple sawable	97						
Total hardwood	214						
% Alder/maple	70%						
% Sawable	65%						
Western WA & OR							
	1995-1999	2000-2004	2005-2009	2010-2014	205-214	00-04	95-99
Fees	42						
Other Large Private	149						
Small Private	80						
Public	27						
	297						
Alder Industry Margin Analysis – 5 year Outlook							

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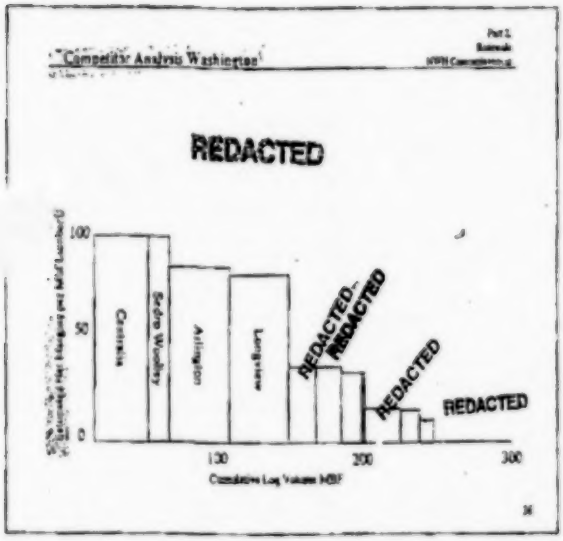
[Exhibit 405]

Del



REDACTED

Intent is to determine extent of over capacity based on log supply projections and which facilities are best positioned - we used net margin as the indicator (cost in not appropriate because of the variation in lumber realizations)

1. Net margins - > NWH
2. Estimated margins of competitors based on sourcing, operating and marketing knowledge of competitors.
3. Competitor margins have dropped below this level in 1999.

EXHIBIT
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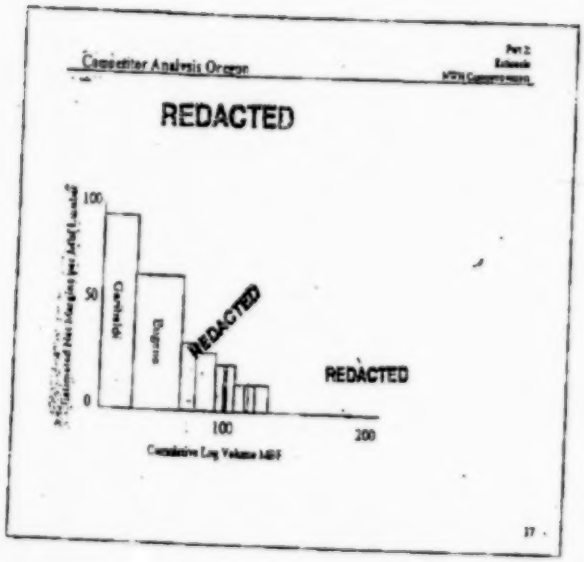
Page 6

[Exhibit 406]



Del

1. Eugene is our last Western mill to have small log conversion line (late 1999 installation)

EXHIBIT
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406

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Raw Material Price Sensitivity

Industry Attractiveness
Western Region
April 24, 2001

- Of the ~340 Mmbf annual Sawlog harvest, 69% is come-along volume and is less sensitive to price.
- Main driver for sustained supply is conifer harvest level

	WA			OR			Total		
	MMbf Sawlog	% Come-along	Mmbf Come-along	Mmbf Sawlog	% Come-along	Mmbf Come-along	Mmbf Sawlog	% Come-along	Mmbf Come-along
WY Fee	39	80%	31	5	70%	3	44		34
Large Private	84	80%	67	66	70%	46	150		113
Small Private	61	55%	34	21	50%	10	82		44
Public	30+	70%	21	3	66%	2	33		23
Sawlog	214	72%	153	95	64%	61	309		214
Sawable Pulp	31	72%	22				31		22
Total	245	72%	175	95	64%	61	340	69%	236
Consumption:									
NWH	150			65			215		
Competitors	95			30			125		
Total	245	100%	245	95	100%	95	340	100%	340
Volume Sensitive to Price			70 28%			34 36%			104 31%

HIGHLY CONFIDENTIAL

WY 055612

EXHIBIT 407 CV 00-1693 PA

[Exhibit 407] 750a

[Exhibit 408]

NORTHWEST HARDWOODS
A Weyerhaeuser Company

33330 8th Avenue South, Suite 200
Federal Way, Washington 98003 USA
Tel (253) 874-5663
Toll Free (800) 333-0331
Fax (253) 838-2639

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Western Consolidation - Logs

	1970	1980	1990	1998	1998-2002	2003-2007
NWH	33	59	139	211		
Other Industry	67	75	93	119		
Total	100	133	232	330		
				REDACTED		
Supply share	33%	44%	60%	64%		

IDS FU Question Response - Western Margins and Log Cost History

	1988	1989	1990	1991	1992	1993	1994	1995	1996
Net Margin ($/Mbf)	75	83	91	84	112	113	92	88	71
Log Cost (Lumber $/Mbf)	182	187	195	192	214	262	323	364	346

EXHIBIT
CV 00-1693 PA
408

WY055498A

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% Increase			5%						
Incremental to 1998					REDACTED				

Western US Industry - Price Indicator & Log Price Indicator

Source: Lumber Price: Stephanie H, HP System History. 5-year projection - NWH Sales
Log R/M - Centralia avg $/mbf sorbner. 5-year projection per Del Fisher

$/Mbf Lumber	91	92	93	94	95	96	97	98	99
Centralia Avg Realization	410	470	520	570	585	610	615	634	634
Centralia Sawlog	192	214	262	323	354	346	368	352 282	362
$/Mbf Log									
Centralia Sawlog	250	278	340	420	460	450	479	457	457

Western US Industry - Alder Sawtimber Prices (Use Centralia Log Price)

SPECIES	91.1	91.2	91.3	91.4	92.1	92.2	92.3	92.4	93.1
Alder - Nat Surfaced	1000	1000	1040	1050	1075	1085	1115	1115	1145
	1998	1997	1998	1999	2000	2001	2001	2003	2004
Log Cost	$ 321	$ 342	$ 326	$ 339	353				
Net margin/mbf	110	148	101	65	82		REDACTED		
	1.4								
PPI Index						1.02	1.035	1.04	1.03

Outlook for Centralia margin:
West estimated at $85, Actual 4/99 YTD Centralia is $75.
Outlook based on 85/80 of IDS Western Outlook 115%

Alder 4/4 Sup w/inflation 1390

NORTHWEST HARDWOODS
A Weyerhaeuser Company
33530 9th Avenue South, Suite 200
Federal Way, Washington 98003 USA
Tel (253) 874-5263
Toll Free (800) 323-4031
Fax (253) 838-3230

[Exhibit 409]

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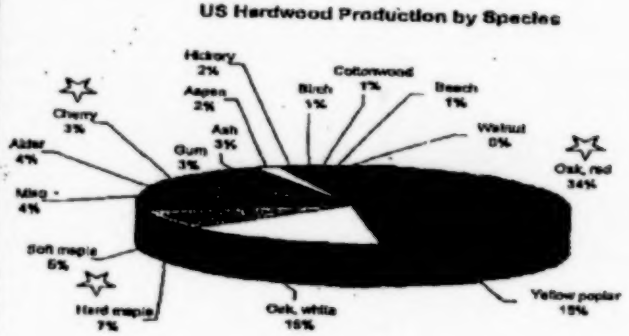
Species Mix

- Industry lumber production consists of multiple species
- Highest volume species are Red & White Oak, Maples, Alder & Yellow Poplar
- We are 2X the size of the next largest competitor, and hold 75% market share of Alder lumber and <1% of other species
- Our customer demand exceeds our supply of Red Oak, Maples & Cherry

	Industry		NWH		
Species	US vol. (mmbf)	% of Total	NWH vol. (mmbf)	NWH %	NWH Market Share
Red Oak	3,842	33%	41	10%	1%
Yellow poplar	1,717	15%	1	0%	<1%
White Oak	1,699	15%	5	1%	<1%
Hard maple	814	7%	5	1%	<1%
Soft maple	510	5%	8	2%	<1%
Misc	461	4%	5	1%	<1%
Alder	408	4%	311	79%	76%
Cherry	375	3%	4	1%	<1%
Gum	358	3%	0	0%	<1%
Ash	355	3%	2	0%	<1%
Aspen	232	2%	0	0%	<1%
Hickory	193	2%	1	0%	<1%
Birch	139	1%	0	0%	<1%
Cottonwood	130	1%	7	2%	<1%
Beech	122	1%	2	0%	<1%
Walnut	47	0%	1	0%	<1%
Total	11,202	100%	391	100%	4%

Source: Hardwood Management Report 1999; NWH Business sales summary 1999.



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[Exhibit 410]

Species Mix

Target Markets & Products
April 24, 2001

- Hardwood lumber production remains consistent in the US at an estimated 11.5 Bbf
- We are more than 2X the size of the next largest competitor at 4% of market share
- Our customer demand exceeds our supply of Red Oak, Maples & Cherry

	NWH Vol (mmbf)	NWH%	NWH Market Share
Red Oak	36	9%	1%
Yellow poplar	1	0%	<1%
White Oak	5	1%	<1%
Hard maple	5	1%	<1%
Soft maple	7	2%	<1%
Misc-includes Basswood & PCM	10	2%	2%
Alder	312	75%	65%
Cherry	4	1%	<1%
Gum	0	0%	<1%
Ash	2	0%	<1%
Aspen	0	0%	<1%
Hickory	1	0%	<1%
Birch	0	0%	<1%
Cottonwood	8	2%	<1%
Beech/Int'l	22	5%	<1%
Walnut	1	0%	<1%
Total	**414**	**100%**	**4%**

Source: Market Share based on Hardwood Management Report 2000; NWH Business sales summary 2000.

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[Exhibit 411]

[P. 1] March 22, 2001

Re: Alder Business

Rob,

You referred to me as an "Ace Analyst" in your brief reply yesterday in response to my e-mail and Excel attachment that I sent you regarding the Alder operations.

Ace, I don't know, but I think that I am very good and believe that I have an excellent sense for business opportunity, especially as it relates to NWH. I feel that twenty years of hard work effort and years of developing my skills with our management team and its managers has provided me an excellent understanding of What makes this business operate successfully.

You know that I have never been one to mince words, not share an opinion, challenges issues etc. There are those in and outside of our organization that think, I am or have been a difficult person to work with etc. I just happen to be a person who believes. I can or could make a difference in the success of NWH.

Some may think and you may be one of those that feel that I have abandoned NWH when I chose not to remain in the leader position for the financial activities. Well that is not the case, I elected to take a different course for my health, family and frankly I did not want to deal with the corporate activities that I knew would be to numerous.

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Your note asked for my thoughts/impressions. I guess I could assume that this referred to my data in the Excel work-sheet. I will respond with a few technical thoughts in regard to what it is that I see in numbers. I also will share with you some general and specific impressions or opinions, if you will of NWH as I view it today.

Technical Thoughts/Impressions:

- We have raw material cost that average between $500 - $600 per mbf scribner.
- We have an approximate lumber to log recovery ratio of 1.40
- 40% of our sales is pallet products that generally sell for $240 /mbf
- 48 – 50% of the KT) products are less than # 1 with an average value of $700 /mbf or less
- The balance of product is upper grade items
- We have average manufacturing costs of $190 - $200 /mbf
- We have average mill period cost of $55- $60/mbf
- We have SG&A, costs that no longer are charged to the mills that range $35 - $45 mbf

This then means that we have raw materials cost on a lumber basis of $355 -$430 /mbf lumber measure. Adding up the costs of raw materials, lumber manufacturing and mill period you have a cost range from $600 $690/mbf without allocated SG&A add those and the cost range is $635-$735/mbf average for the making of our products. Without being sarcastic, this is not "rocket scientist" work. So roughly without the benefit of residual chip and by-product revenues approximately 70% of our products lose money. The only way we

offset some of this is through the higher volumes we have manufactured.

- The trend data says that the average cost of logs has more than doubled the pace of the average sales realizations for lumber if you trend back to 1981. This is not the case for some locations, but they either came aboard in 1985 or 1995.

[P. 2] If we have what we believe to be 65 – 70% of the Alder activity in the form of logs and lumber then why have we NWH seen this prolific increase in the price of logs. When you look at the fact that NWH expanded in size though acquisition and internal growth you would think that the opposite would have occurred for obvious.

- We have increased our mill levels of productivity from 50 - 80 % through efficiencies, log recovery and overtime postures. In fact our technological factors have gone from 1.00 to 1.40. We have increased our employees wages and benefits and maintained a mill profit margin of 15 to 25 % that also included allocation of SG&A costs that were 4 to 6 %. Now we are down to the 8 to 10 % level and no longer charge the mills these costs.

- We have seen our mills increase the capacity of chips to levels that exceed 600,000 bdt's. With this we saw the run up of pulp raw material costs that at times have exceed $351 green log ton. We now face the reality that most export sources for these chips no longer exists and the threat of domestic loss for sales is ever present. Chips prices are soft and we have continued to purchase excess pulp because we are being told it has to be this way. For who?

If I understood some of the thoughts that came out of the meetings over the past few weeks, it is my understanding that NWH annual potential opportunity for raw materials costs

improvements range up to $20 million dollars. Does that infer that we have given up some $40 to $60 million dollars in the last three years?

General Thoughts/Impressions:

If I may I would like to share with you the values that I felt NWH represented over the years.

- NWH represented calculated, but quickly executed Risk Taking based upon our knowledge of the markets etc, which included our ability to operate profitably in all types of markets.

- Personal responsibility and accountability were the mainstreams for all employees, especially those in managerial or professional functions. In effect get the job done, but do so ethically and legally.

- Don't try to make yourself look good at the expense of others on. the teams. The teams being raw materials, manufacturing, sales and financial operating in a mode of togetherness.

- We did not depend upon a tree farm mentality to supply source our mills. We purchased logs and timber open market with the bottom line return as the basis for procurement. Weyco fee was considered a viable source not a dependency factor.

- We never focused on the concept that we had a given raw material supply in the operation of our business.

- We purchased all wood economically with our ability to generate high bottom line results.

- We generated an excellent RONA based upon the valued products manufactured for our customers

- We use our competitive size and superior skill sets to achieve these results.

- We provided our banker (Weyco) and excellent return for the funds we used.

- We trusted our people to make the right decisions without layers of management making the task next to impossible to perform.

[P. 3] Western Alder Operations Thoughts/Impressions:

- I believe that there is a very distinctive disconnects in our management team between sales, manufacturing and raw materials. Some of this is turf, but most in my view is the lack of managers fully understanding the overall business metrics that lead to highly profitable returns. I believe that Jerry Martin s the only manager that fully understands this. David Weyerhaeuser is not too far behind. I think Del and Terry have very little understanding of the keys.

- I believe that NWH made a very fundamentally major mistake when it set up a separate raw materials manager in tile West. I think it was a political issue at the time and I think that the organizational structure that exists today is not workable. One of three things needs to change in this area. Change reporting of this job to the Alder Manufacturing Vice President, eliminate the position or change the person in the job. The present situation is untenable!

- Develop a business strategy for Alder, communicate among the leaders, carry it down to the managers and understand before hand the economics of the strategy in terms that all will understand. Yes this does include some

form of financial modeling that gets all on the same page. I think that this activity was very instrumental in Little Rock and Titusville. We do not need a linear model, but I do think that this could bean effective tool if built properly. (This is not a sales job far me to have a position.)

- We need to source our mills with raw materials that will work for manufacturing at a cost that will enable NWH to have a RONA that meets our goals. Minimum of 15% in my opinion. We do this with pretax profits not just a lowering of the asset base, but that is important also.

- We need to stop thinking that the Weyerhaeuser tree farm is the ultimate solution to our raw material needs and we need to be Risk takers to the extent that we may at times not have wood. Developing a strategy that is focused around 3, 5, 10 year plans personally remind me of why socialism fails. I know they have to be done, but lets not loose site of the trees for the forest.

- I think that there is a possibility that we may have made our Alder product line to broad and complicated, not only for our customers, but for our sales and manufacturing teams

Why is it that the eastern operations have improved returns the past three years? Why is it that these locations are achieving this essentially without Weyerhaeuser tree farms except Arkansas/Oklahoma and in this location it is not the primary factor. I believe it is a good balance of leadership in all areas with a fully understood basis that raw material procurement either in the forma of logs or lumber is to be accomplished with a good margin in hand. I also believe that the organizational structure lends itself to success. Raw materials personnel report to the Vice-Present and he stays in contact with the sales organization for opportunity results. This worked very well in the West for years.

Rob, I will close by saying that the performance of the raw materials area is in fact unacceptable. This would never have been tolerated in the manufacturing, sales or the financial areas. Why is it acceptable in the raw materials area?

Thank you for the opportunity to hear my thoughts and impressions. I have much pride in what NWH has been and I find it very hard to believe that we have come to where we are in the year 2001.

Gene

[Exhibit 412]

NOVAK, GENE	
From:	Martin, Jerry (Centralia)
Sent:	Thursday, March 22, 2001 10:54 AM
To:	Novak, Gene
Subject:	RE: PERSONAL
Sensitivity:	Confidential

Thanks for the candid views…as always you have had the best interests of the company at heart!!!!! J.T.M.

From:	Novak, Gene
Sent:	Thursday, March 22, 2001 6:29 AM
To:	Martin, Jerry (Centralia)
Subject:	PERSONAL
Sensitivity:	Confidential

Jerry,

This document was sent to Rob this morning after I was asked my thoughts/impressions Like the memo you shared with me last week I would appreciate your confidentiality in this matter.

<<File: Alder 2001Thoughts.doc>>

Thanks,

Gene

[Exhibit 413]

NOVAK, GENE	
From:	Barton, Don
Sent:	Thursday, March 22, 2001 10:49 AM
To:	Novak, Gene
Subject:	RE: PERSONAL
Sensitivity:	Confidential

There's an important message here. Maybe you out to accidentally broadcast it to a little wider audience.

From:	Novak, Gene
Sent:	Thursday, March 22, 2001 6:33 AM
To:	Barton, Don
Subject:	PERSONAL
Sensitivity:	Confidential

Don,

This was my response to Rob this morning in regard to his asking for my thoughts/impressions on the Alder business.
I would appreciate this remaining confidential.

<<File: Alder 2001Thoughts.doc>>

Gene

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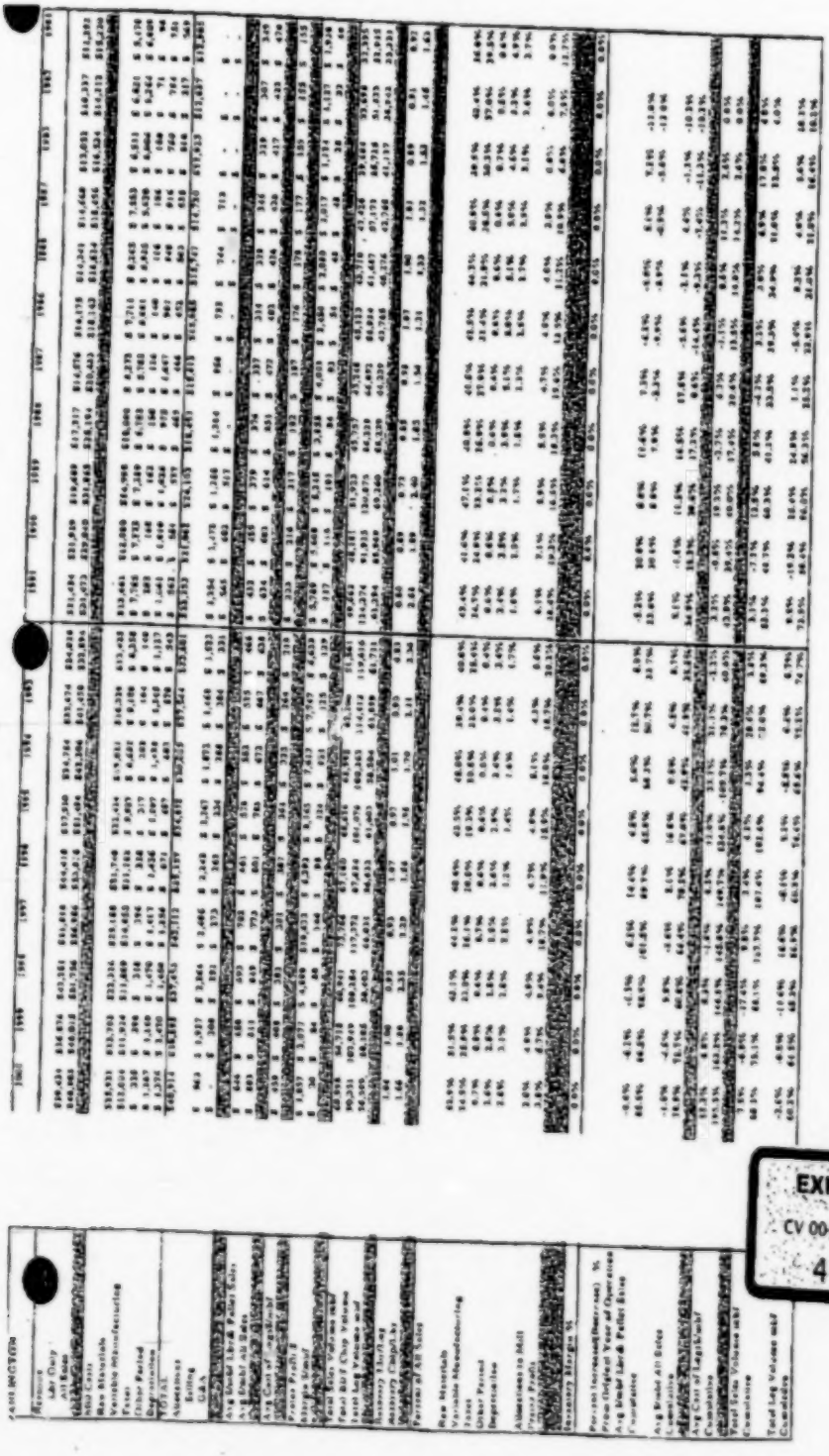
[Exhibit 414]



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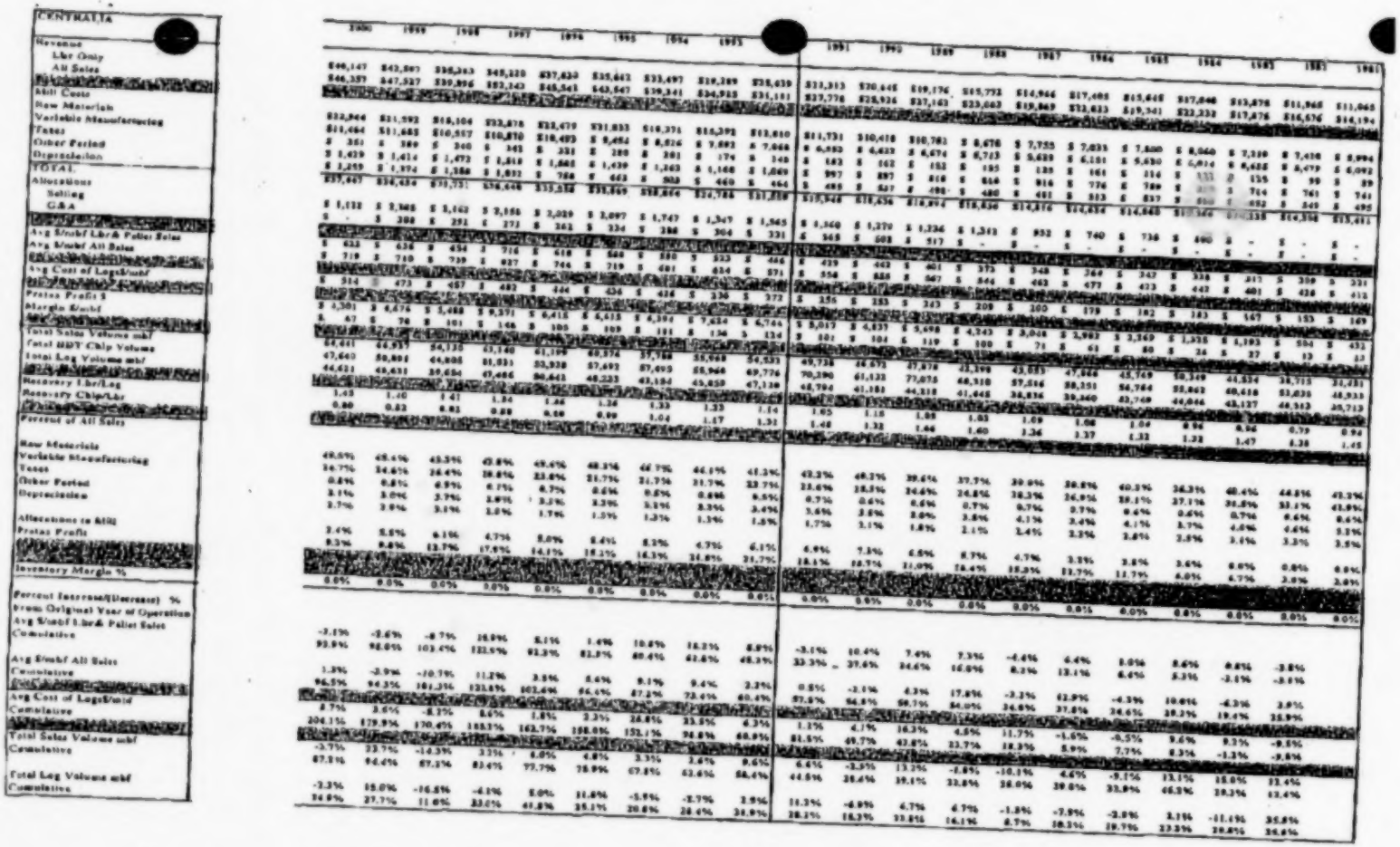
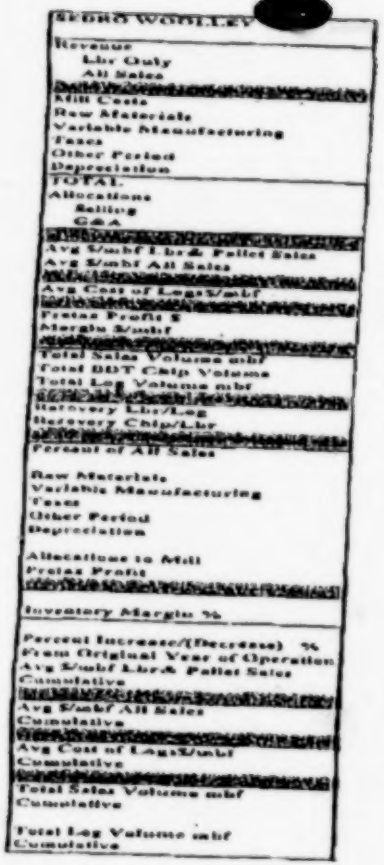
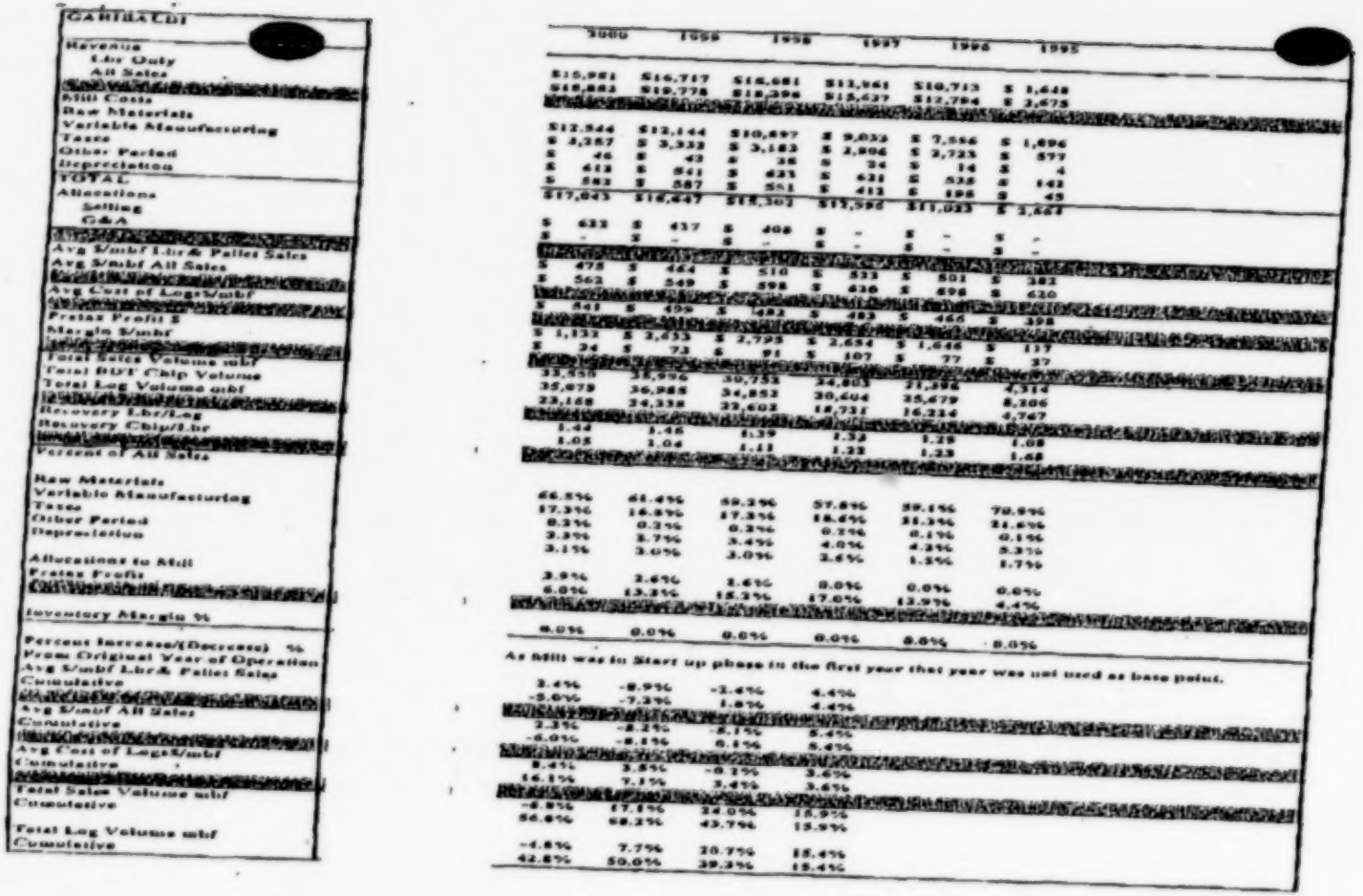


LONGVIEW	2008	2009	1998	1997	1996	1995	1994	1993		1991	1990	1989	1988	1987	1986
Revenue															
Lbr Only	$39,854	$37,188	$30,620	$38,358	$36,158	$41,523	$38,864	$37,315	$30,070	$27,189	$24,187	$26,328	$23,305	$13,721	$ 2,817
All Sales	$66,979	$48,283	$39,240	$47,745	$48,130	$56,304	$49,673	$50,381	$41,819	$36,923	$31,693	$41,492	$34,961	$21,807	$ 7,307
Mill Costs															
Raw Materials	$22,743	$20,667	$17,652	$21,956	$23,307	$27,965	$25,354	$24,480	$19,188	$16,466	$15,736	$19,680	$15,130	$10,974	$ 4,147
Variable Manufacturing	$10,949	$10,888	$10,441	$11,909	$12,816	$13,477	$12,519	$11,896	$10,036	$ 8,852	$ 8,671	$11,627	$ 9,437	$ 7,627	$ 4,002
Taxes	$ 323	$ 288	$ 269	$ 302	$ 299	$ 379	$ 339	$ 319	$ 197	$ 178	$ 184	$ 172	$ 179	$ 278	$ 98
Other Period	$ 1,269	$ 1,279	$ 1,431	$ 1,278	$ 1,188	$ 1,306	$ 1,308	$ 1,268	$ 1,062	$ 1,048	$ 1,114	$ 1,112	$ 1,044	$ 807	$ 561
Depreciation	$ 1,914	$ 1,984	$ 1,754	$ 1,670	$ 1,680	$ 987	$ 937	$ 838	$ 605	$ 835	$ 846	$ 790	$ 773	$ 604	$ 245
TOTAL	$37,338	$35,206	$31,644	$36,616	$39,027	$44,814	$40,333	$38,695	$31,378	$27,379	$26,451	$32,771	$26,563	$20,308	$ 8,990
Allocations															
Selling	$ 948	$ 2,067	$ 1,842	$ 1,992	$ 2,206	$ 2,904	$ 2,197	$ 1,785	$ 1,926	$ 1,727	$ 1,485	$ 1,484	$ 1,456	$ 803	$ 247
G&A	$ -	$ 308	$ 293	$ 273	$ 263	$ 234	$ 288	$ 304	$ 331	$ 865	$ 601	$ 515	$ -	$ -	$ -
Avg $/mbf Lbr & Pallet Sales	$ 634	$ 637	$ 658	$ 650	$ 581	$ 510	$ 538	$ 509	$ 461	$ 425	$ 430	$ 428	$ 437	$ 346	$ 260
Avg $/mbf All Sales	$ 746	$ 721	$ 828	$ 809	$ 733	$ 691	$ 688	$ 687	$ 623	$ 577	$ 564	$ 676	$ 634	$ 553	$ 566
Avg Cost of Logs$/mbf	$ 391	$ 416	$ 363	$ 421	$ 430	$ 419	$ 392	$ 336	$ 278	$ 269	$ 268	$ 234	$ 285	$ 205	$ 192
Pretax Profit $	$ 2,853	$ 2,783	$ 3,417	$ 5,698	$ 4,019	$ 4,841	$ 3,918	$ 6,202	$ 2,478	$ 4,417	$ 1,616	$ 2,787	$ 2,022	$ 721	$ (490)
Margin $/mbf	$ 45	$ 64	$ 77	$ 97	$ 61	$ 61	$ 54	$ 86	$ 62	$ 69	$ 29	$ 45	$ 40	$ 18	$ (45)
Total Sales Volume mbf	62,832	58,653	46,845	59,043	65,630	81,487	72,300	72,319	67,179	63,955	56,237	61,516	51,896	39,422	10,819
Total BDT Chip Volume	61,574	76,656	80,667	86,629	95,191	116,564	110,581	101,430	121,619	108,899	93,671	125,978	129,979	96,041	23,098
Total Log Volume mbf	45,446	49,723	48,575	51,206	54,259	66,711	66,787	76,826	68,888	61,370	58,788	84,067	73,434	53,489	19,979
Recovery Lbr/Log	1.33	1.14	0.99	1.12	1.15	1.14	1.07	0.90	0.93	0.94	0.94	0.66	0.63	0.77	0.52
Recovery Chip/Lbr	1.00	1.41	1.80	1.55	1.55	1.63	1.67	2.20	1.96	1.90	1.69	1.62	2.01	1.81	1.70
Percent of All Sales															
Raw Materials	48.6%	48.7%	48.0%	48.0%	48.4%	49.7%	51.0%	48.6%	48.9%	44.4%	49.7%	46.9%	43.3%	58.1%	57.6%
Variable Manufacturing	23.3%	24.1%	26.6%	26.9%	25.0%	23.9%	25.2%	23.6%	24.0%	24.0%	27.0%	26.3%	27.0%	24.9%	65.5%
Taxes	0.7%	0.9%	1.0%	0.6%	0.7%	0.7%	0.5%	0.4%	0.5%	0.8%	0.6%	0.4%	0.5%	1.3%	0.5%
Other Period	2.7%	3.0%	3.6%	2.7%	2.4%	2.1%	2.6%	2.5%	2.8%	2.8%	3.5%	2.7%	3.0%	2.7%	7.8%
Depreciation	4.1%	4.4%	4.5%	3.8%	3.3%	1.8%	1.9%	1.7%	1.6%	2.3%	2.7%	1.9%	2.2%	2.8%	3.4%
Allocations to Mill	2.4%	5.5%	6.0%	5.2%	5.5%	7.0%	5.7%	4.8%	6.3%	6.4%	5.8%	6.3%	7.4%	5.6%	8.8%
Pretax Profit	6.1%	8.4%	9.2%	11.9%	8.4%	8.6%	7.9%	12.5%	13.1%	12.0%	5.1%	6.6%	5.8%	3.3%	-6.8%
Inventory Margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent Increase/(Decrease) % From Original Year of Operation	As Mill was in Start up phase in the first year that year was not used as base point.														
Avg $/mbf Lbr& Pallet Sales	-0.5%	-3.1%	1.3%	11.7%	14.1%	-5.3%	5.5%	10.4%	8.6%	-1.3%	1.3%	-2.6%	26.1%		
Cumulative	82.3%	84.8%	90.1%	87.7%	68.0%	47.3%	55.8%	47.0%	33.3%	33.7%	34.3%	33.0%	26.1%		
Avg $/mbf All Sales	-3.0%	-8.0%	3.6%	10.3%	6.1%	0.4%	0.1%	10.4%	7.8%	2.4%	-16.7%	-1.1%	23.6%		
Cumulative	35.3%	39.5%	51.6%	46.2%	32.7%	26.0%	24.5%	24.3%	12.6%	4.5%	2.0%	23.6%	23.6%		
Avg Cost of Logs$/mbf	20.4%	14.6%	-13.8%	-2.1%	2.6%	6.5%	16.7%	20.5%	3.3%	0.4%	14.5%	14.1%	0.0%		
Cumulative	144.4%	102.9%	77.1%	105.4%	109.0%	104.4%	91.3%	62.9%	23.6%	31.2%	30.7%	14.1%	0.0%		
Total Sales Volume mbf	7.1%	22.3%	-20.7%	-10.0%	-19.5%	12.9%	-1.5%	9.1%	5.0%	13.7%	-9.3%	31.2%	34.9%		
Cumulative	58.5%	48.0%	18.3%	46.9%	65.6%	106.6%	81.1%	85.0%	69.5%	61.3%	41.9%	56.2%	34.9%		
Total Log Volume mbf	-8.6%	2.4%	-7.0%	-3.8%	-18.7%	3.0%	-13.1%	11.5%	12.4%	4.3%	-30.1%	14.1%	37.6%		
Cumulative	-15.0%	-7.0%	-9.1%	-1.5%	1.5%	24.0%	11.1%	43.7%	28.9%	14.6%	10.0%	47.3%	37.6%		



REDRO WOOLLEY	2000	1999	1998	1997	1996	1995
Revenue						
Lbr Only	$23,349	$20,132	$13,642	$13,902	$10,906	$ 6,218
All Sales	$24,071	$22,583	$15,902	$16,373	$12,843	$ 8,663
Mill Costs						
Raw Materials	$13,347	$10,379	$ 7,962	$ 7,168	$ 6,582	$ 3,314
Variable Manufacturing	$ 6,851	$ 6,117	$ 5,643	$ 5,237	$ 4,713	$ 2,430
Taxes	$ 309	$ 308	$ 77	$ 31	$ 97	$ 97
Other Period	$ 968	$ 816	$ 536	$ 304	$ 395	$ 301
Depreciation	$ 944	$ 964	$ 855	$ 592	$ 484	$ 315
TOTAL	$22,109	$18,401	$15,043	$13,334	$12,321	$ 6,457
Allocations						
Selling	$ 479	$ 694	$ 331	$ -	$ -	$ -
G&A	$ -	$ -	$ -	$ -	$ -	$ -
Avg $/mbf Lbr & Pallet Sales	$ 657	$ 677	$ 606	$ 611	$ 574	$ 520
Avg $/mbf All Sales	$ 734	$ 760	$ 713	$ 715	$ 674	$ 716
Avg Cost of Logs/mbf	$ 514	$ 462	$ 398	$ 359	$ 343	$ 390
Perlas Profit $	$ 1,315	$ 1,266	$ 2,303	$ 2,490	$ 896	$ (1)
Margin $/mbf	$ 37	$ 43	$ 99	$ 118	$ 47	$ (0)
Total Sales Volume mbf	33,532	29,730	22,341	22,770	19,041	11,936
Total BDT Chip Volume	33,453	29,353	20,750	21,498	17,329	11,673
Total Log Volume mbf	29,990	22,454	19,983	19,941	16,175	13,430
Recovery Lbr/Log	1.24	1.26	1.23	1.16	1.08	~0.86
Recovery Chip/Lbr	1.00	1.08	1.18	1.39	1.43	1.74
Percent of All Sales						
Raw Materials	51.3%	46.0%	50.1%	44.1%	51.3%	62.1%
Variable Manufacturing	28.1%	27.1%	35.5%	32.2%	36.7%	30.7%
Taxes	1.3%	1.0%	0.5%	0.2%	0.4%	1.1%
Other Period	3.7%	3.6%	3.8%	3.1%	3.1%	3.5%
Depreciation	3.6%	4.3%	5.4%	3.6%	3.8%	2.7%
Allocations to Mill						
Perlas Profit	1.8%	3.1%	2.1%	0.0%	0.0%	0.0%
Margin	5.0%	5.4%	13.9%	16.8%	7.0%	0.0%
Inventory Margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent Increase/(Decrease) % From Original Year of Operation	As Mill was in Start up please in the first year that year was not used as base point.					
Avg $/mbf Lbr & Pallet Sales	-3.0%	11.7%	-0.7%	6.4%		
Cumulative	14.5%	18.0%	8.7%	6.4%		
Avg $/mbf All Sales	-3.4%	6.7%	-0.4%	5.8%		
Cumulative	8.0%	12.5%	5.4%	5.8%		
Avg Cost of Logs/mbf	11.3%	16.1%	10.9%	-0.8%		
Cumulative	43.0%	37.6%	9.9%	-0.8%		
Total Sales Volume mbf	19.5%	33.1%	-1.9%	19.6%		
Cumulative	197.3%	148.7%	86.9%	19.6%		
Total Log Volume mbf	15.7%	12.4%	0.0%	9.9%		
Cumulative	43.0%	23.5%	9.9%	9.9%		

EUGENE	2000	1999	1998	1997	1996	1995
Revenue						
Lbr Only(Total)	$30,387	$49,806	$41,003	$44,689	$35,281	$ 8,152
Co/Euclid Trans (Fet)	$19,449	$11,931	$13,749	$10,879	$ 9,148	$ 1,132
All Sales	$66,163	$54,498	$45,074	$49,377	$40,655	$10,094
Mill Costs						
Raw Materials	$21,351	$18,110	$16,470	$17,021	$16,091	$ 3,989
Variable Manufacturing	$10,142	$10,115	$ 8,796	$ 8,289	$ 8,220	$ 1,760
Taxes	$ 196	$ 174	$ 160	$ 159	$ 143	$ 35
Other Period	$ 1,853	$ 1,471	$ 1,709	$ 2,031	$ 2,274	$ 739
Depreciation	$ 2,143	$ 1,963	$ 1,875	$ 1,356	$ 1,181	$ 272
TOTAL	$35,584	$32,041	$29,010	$29,484	$27,679	$ 6,794
Allocations						
Selling	$ 1,048	$ 2,578	$ 2,364	$ 1,625	$ 2,364	$ 96
G&A	$ -	$ -	$ -	$ -	$ -	$ -
Avg $/mbf Lbr& Pallet Sales	$ 608	$ 614	$ 614	$ 648	$ 538	$ 523
Avg $/mbf All Sales	$ 677	$ 677	$ 674	$ 748	$ 620	$ 648
Avg Cost of Logs$/mbf	$ 506	$ 458	$ 449	$ 501	$ 463	$ 447
Pretax Profit $	$ 4,429	$ 4,171	$ 4,299	$ 4,876	$ 2,536	$ 1,534
Margin $/mbf	$ 53	$ 53	$ 64	$ 71	$ 39	$ 99
Total Sales Volume mbf	32,939	30,589	26,839	28,931	25,585	15,565
Total BDT Chip Volume	58,181	54,478	47,701	46,970	51,317	16,510
Total Log Volume mbf	42,928	39,576	36,673	38,546	34,723	8,937
Recovery Lbr/Log	1.83	1.81	1.80	1.83	1.54	1.43
Recovery Chip/Lbr	0.91	0.93	0.90	0.90	0.99	1.39
Percent of All Sales						
Raw Materials	46.8%	42.4%	50.9%	46.1%	31.1%	44.5%
Variable Manufacturing	22.1%	23.7%	27.2%	21.4%	26.1%	19.7%
Taxes	0.4%	0.4%	0.5%	0.4%	0.5%	0.4%
Other Period	4.1%	3.9%	5.3%	5.3%	7.3%	8.1%
Depreciation	4.7%	4.6%	5.8%	3.8%	3.7%	3.0%
Allocations to Mill	1.9%	4.7%	5.3%	3.3%	6.6%	1.0%
Pretax Profit	9.7%	9.8%	13.3%	12.6%	8.0%	17.1%
Inventory Margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent Increase/(Decrease) % From Original Year of Operation	As Mill was in Start up phase in the first year that year was not used as base point.					
Avg $/mbf Lbr& Pallet Sales	-1.1%	0.1%	-5.4%	20.3%		
Cumulative	12.9%	14.2%	14.1%	20.5%		
Avg $/mbf All Sales	0.0%	0.4%	-5.7%	15.3%		
Cumulative	9.3%	9.3%	8.8%	15.3%		
Avg Cost of Logs$/mbf	10.5%	2.0%	-10.4%	8.2%		
Cumulative	9.3%	-1.1%	-3.0%	8.2%		
Total Sales Volume mbf	7.9%	20.5%	-3.0%	8.1%		
Cumulative	26.5%	22.9%	1.9%	8.1%		
Total Log Volume mbf	8.1%	7.9%	3.2%	2.4%		
Cumulative	21.0%	14.0%	5.6%	2.4%		



GARIBALDI	2000	1999	1998	1997	1996	1995
Revenue						
Lbr Only	$15,981	$16,717	$16,681	$13,861	$10,713	$ 1,648
All Sales	$18,882	$19,778	$18,396	$15,627	$12,794	$ 2,675
Mill Costs						
Raw Materials	$12,544	$12,144	$10,897	$ 9,032	$ 7,556	$ 1,696
Variable Manufacturing	$ 3,387	$ 3,332	$ 3,183	$ 2,804	$ 2,725	$ 577
Taxes	$ 46	$ 43	$ 38	$ 34	$ 14	$ 4
Other Period	$ 413	$ 341	$ 423	$ 631	$ 538	$ 141
Depreciation	$ 583	$ 587	$ 581	$ 413	$ 196	$ 45
TOTAL	$17,043	$16,447	$15,302	$13,592	$11,023	$ 2,627
Allocations						
Selling	$ 622	$ 437	$ 408	$ -	$ -	$ -
G&A	$ -	$ -	$ -	$ -	$ -	$ -
Avg $/mbf Lbr & Pallet Sales	$ 475	$ 464	$ 510	$ 533	$ 501	$ 382
Avg $/mbf All Sales	$ 562	$ 549	$ 598	$ 636	$ 598	$ 620
Avg Cost of Logs/mbf	$ 541	$ 499	$ 482	$ 483	$ 466	$ 398
Pretax Profit $	$ 1,132	$ 2,653	$ 2,793	$ 2,654	$ 1,646	$ 117
Margin $/mbf	$ 24	$ 73	$ 91	$ 107	$ 77	$ 37
Total Sales Volume mbf	33,550	35,996	30,753	24,803	21,396	4,314
Total BDT Chip Volume	35,079	36,985	34,853	30,604	25,679	8,306
Total Log Volume mbf	23,168	24,338	22,602	18,731	16,214	4,767
Recovery Lbr/Log	1.44	1.46	1.39	1.32	1.29	1.08
Recovery Chip/Lbr	1.05	1.04	1.11	1.23	1.23	1.68
Percent of All Sales						
Raw Materials	66.5%	61.4%	59.2%	57.8%	59.1%	70.9%
Variable Manufacturing	17.9%	16.8%	17.3%	18.0%	21.3%	21.6%
Taxes	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
Other Period	2.2%	1.7%	2.3%	4.0%	4.2%	5.3%
Depreciation	3.1%	3.0%	3.0%	2.6%	1.5%	1.7%
Allocations to Mill	3.3%	2.6%	1.6%	0.0%	0.0%	0.0%
Pretax Profit	6.0%	13.3%	15.2%	17.0%	12.9%	4.4%
Inventory Margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percent Increase/(Decrease) % From Original Year of Operation						
Avg $/mbf Lbr & Pallet Sales Cumulative	3.4%	-8.9%	-3.4%	4.4%		
	-5.0%	-7.2%	1.8%	4.4%		
Avg $/mbf All Sales Cumulative	2.3%	-8.2%	-5.1%	5.4%		
	-6.0%	-8.1%	0.1%	5.4%		
Avg Cost of Logs/mbf Cumulative	8.4%	3.5%	-0.2%	3.6%		
	16.1%	7.1%	3.4%	3.6%		
Total Sales Volume mbf Cumulative	-6.8%	17.1%	24.0%	15.9%		
	56.8%	68.2%	43.7%	15.9%		
Total Log Volume mbf Cumulative	-4.8%	7.7%	20.7%	15.4%		
	42.8%	50.0%	29.3%	15.4%		

As Mill was in Start up phase in the first year that year was not used as base point.

[Exhibit 433]

[P. 1] [Handwriting- Illegible]

STUMPAGE SALE AND DELIVERY AGREEMENT

DATED: MARCH 31, 1999

PARTIES: CROWN PACIFIC LIMITED
PARTNERSHIP ("Seller")
HAMILTON TREE FARM
P.O. BOX 28
HAMILTON, WA 98255

and

NORTHWEST HARDWOOD ("Buyer")
A DIVISION OF THE
WEYERHAEUSER COMPANY
P.O. BOX 7
ARLINGTON, WA 98223

RECITAL:

Buyer wishes to purchase from Seller standing timber ("The Stumpage) of the species and size and of the volume designated below located on the property legally described in the attached Exhibit A (the "Property"), which by this reference is made a part hereof. Additionally, Buyer wishes to have Seller, as Buyer's agent, harvest the Stumpage and deliver the same in accordance with the Harvest-Delivery Schedule.

NOW, THEREFORE, to accomplish the intents and purposes of the parties, the parties hereby agree as follows:

1. Stumpage Purchased. Buyer hereby purchases from Seller the stumpage consisting of Approximately 4500 MBF of standing merchantable Red Alder timber with a minimum top size diameter of 6 inches, and a minimum length of 10 feet, standing on the Property (the "Stumpage").

2. Harvest and Delivery. Buyer further engages Seller and Seller agrees to act as Buyer's agent in the harvest and delivery of the Stumpage in accordance with the harvest and delivery schedule set forth in the attached Exhibit B, which by this reference is made a part hereof ("Harvest-Delivery Schedule").

3. Purchase Price. The total of the price to be paid for the delivered Stumpage purchased herein by Buyer and harvested and delivered to Buyer by Seller is mutually agreed by the parties to equal Two Million Twenty Five Thousand Dollars ($2,025,000). Saw Logs delivered under this agreement will have the Per MBF Value agreed' to by Both Parties, and outlined in "Exhibit C" (Contract Log Price Schedule) of this contract. The estimated Composite Contract Per M Rate is apportioned $220/MBF for Stumpage and $230/MBF for harvest and delivery.

[P.2] 4. Payment of Purchase Price.

4.1 Down Payment. Upon execution of this Agreement and delivery of title to the Stumpage to Buyer, Buyer will pay to the Seller a nonrefundable down payment (25% of the value of This Contract) in the amount of Five Hundred and Six Thousand Two Hundred and Fifty Dollars (($506,250) "Down Payment")).

4.2 Balance of Purchase Price. When the value of the wood products delivered equals the down payment, $506,250.00, (to be depleted as volume delivered times Rates in paragraph 3 and "Exhibit C") the balance of the Actual Timber Value is due as volume is delivered and will be paid in accordance with the terms and rates in Paragraph (3).

5. Term. This Agreement shall become affective on the date it is executed and shall terminate on the earlier of: (1) April 30, 2000; or (2) the date Buyer has received the to-

tal value of Stumpage contracted for herein ("Termination Date").

6. Title and Risk of Loss. Title to the Stumpage shall pass to Buyer upon the execution of this Agreement end delivery of the Down Payment. The risk of loss to the Stumpage being purchased herein, including, but not limited to, fire, weather damage, mortality, disease, bug infestation, theft, etc., will be retained by Seller, but Seller reserves the right to deliver to Buyer substitute stumpage of similar species and quality set forth in Section 1 to fulfill Seller's obligations under this Agreement. Responsibility for Real estate Excise Tax and Forest Excise Tax will remain with the seller.

7. Remedies of Buyer in the Event of Seller's Non-performance. In the event Seller falls to deliver to Buyer the Stumpage in the volumes and at the time and place required in accordance with the Harvest-Delivery Schedule, Buyer will provide written notice to Seller specifying in detail the Seller's breach of this Agreement. If Seller fails to remedy its failure within thirty (30) days of receipt of the default notice from Buyer, then Buyer and/or its agents or assigns, will have the right to come on the Property and harvest and deliver the Stumpage pursuant to this Agreement, in which case the amount due Seller, if any, will be reduced to the Stumpage Per M Rate for the volume of timber harvested by Buyer. In addition, the Termination Date set forth in the prior Section 5 will be extended by an amount of time sufficient for Buyer to exercise the remedy provided in the prior sentence. In the event Buyer has paid the purchase price in full in accordance with Section 4, above, at the time of Seller's non-performance, Seller will refund to Buyer the Delivery Per M Rate for the volume of timber harvested by Buyer.

8. Remedies of Seller in the Event of Buyer's Refusal to Take Delivery or Non-payment. If Buyer, for any reason, refuses to take delivery of the Stumpage volume or any of the Stumpage volume in accordance with the Harvest-

Delivery Schedule, and any amount of the Purchase Price remains unpaid as of the Termination Data of this Agreement, the balance of the Purchase Price will be immediately due and payable to Seller, to be calculated at the contract stumpage rate only for unharvested contract volume. Buyer acknowledges that this Agreement is a take-or-pay agreement.

[P. 3] 9. Retained Security Interest. As security for Buyer's payment of the Deferred Purchase Price, Seller will retain a security interest in the Stumpage sold herein, and Buyer will execute any and all agreements, in addition to this Agreement, required by Seller to retain its security interest in the Stumpage, including, but not limited to, any UCC filings, security agreement, timber mortgages, timber trust deeds, etc.

10. Payment and Scaling.

Buyer will pay Seller for merchantable volume delivered under Buyer's normal payment schedule, based on Individual load tickets summarized in a scale or weight summary certificate in a form acceptable to Seller. Quantities sold under this Agreement will be measured at The (Northwest Hardwoods) scaling locations. Scaling shall be in Scribner Decimal C net scale, westside, as per USFS Region 6 Handbook. If payment is not received by Seller within ten (10) business days of the normal payment date, interest on the unpaid balance will be charged at the rate of 1.0% per month. Seller has the right at any time to check scale loads. Should the check scale differ from Buyer's scale by more than five percent (5%), the parties agree to have a certified scaling bureau rescale or check scale, as applicable, the disputed loads, and their decision will be binding on the parties.

11. Warranty.

Seller warrants it has marketable title to the Stumpage to be said under this Agreement Seller end Purchaser agree to

hold each other harmless for any liens, claims, or encumbrances arising from their respective actions under it.

12. General Provisions.

12.1 Force Majeure. No party shall be liable or responsible to any other party for delays in the performance of the terms and conditions of this Agreement, other than the payment of money when due, as a result of a cause or causes beyond its reasonable control, including, but not limited to, acts of God, weather conditions making performance extremely impracticable, fire, flood, labor problems, and governmental orders or actions. The party whose performance is delayed shall recommence any excused delay in performance as soon as practicable after cessation of the event of force majeure. In the event Buyer's performance is delayed by more than ninety (90) days due to any event of force majeure, then Seller may terminate this Agreement upon not less then thirty (30) days' prior written notice to Buyer. In the even Seller's performance is delayed by more than ninety (90) days due to any event of force majeure, then time for performance by Seller shall be extended for the number of days of delay in Seller's ability to harvest and deliver the Stumpage, or Buyer may terminate this Agreement upon not less than thirty (30) days' prior written notice to Seller.

[P. 4] 12.2 Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

12.3 Assignment. Buyer shall be entitled to assign its rights and obligations under this Agreement only upon obtaining Seller's prior written consent Such consent will not be unreasonably withheld.

12.4 Notices. Notices under this Agreement shill be in writing and shall be. effective when actually delivered or two business days after being deposited in the United States Mails, certified, return receipt requested, directed to the other patty at the address set forth below, or to such other address as the party may indicate by written notice to the other party:

If to Seller. Crown Pacific United Partnership
Hamilton Tree Farm
P.O. Box 28
Hamilton, WA 98255

If to Buyer: Northwest Hardwoods
P.O. Box 7
Arlington, WA 98223

12.5 Waiver. Failure of either party at any time to require performance of any provision of this Agreement shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Agreement constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself.

12.6 Amendment. This Agreement may not be modified or amended except by the written agreement of the parties.

12.7 Attorneys' Fees. If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code) is instituted in connection with any controversy arising out of this Agreement or to interpret or enforce any rights hereunder, the prevailing party shall be entitled to recover its attorneys', paralegals', accountants', and other experts' fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith,

as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law.

12.8 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or [P. 5] unenforceable, the remainder of this Agreement and the application of such term or provision to parsons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby, and each term or provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.9 Brokerage Commissions. Each party represents and warrants to the other that it has neither used nor consulted with any real estate broker or similar person or entity in connection with the transactions contemplated by this Agreement and each party (the "Indemnitor") agrees to indemnify and hold harmless the other party from and against any claims by any such person or entity for brokerage or similar commissions or fees arising by reason of action taken by the Indemnitor.

12.10 Integration. This Agreement contains the entire agreement and understanding of the parties with respect to the purchase and sale of Stumpage located on the Property and supersedes all prior and contemporaneous agreements between them with respect to such purchase and sale.

12.11 Construction and Interpretation. The headings or titles of the sections of this Agreement are intended for ease of reference only and shall have no effect whatsoever on the construction or interpretation of any provision of this Agreement. The use in this Agreement of the words "including," "such as," and words of similar import following any general statement, term, or matter shall not be construed to limit such statement, term, or matter in any manner, whether or not language of non-

limitation (such as "without limitation" or "but not limited to") is used in connection therewith, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the scope of the general statement, term, or matter. All provisions of this Agreement have been negotiated at arms length and this Agreement shall not be construed for or against any part by reason of the authorship or alleged authorship of any provision hereof.

12.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

[P. 6] IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

NORTHWEST HARDWOODS. (PURCHASER)	CROWN PACIFIC LTD. (SELLER)
By:/s/ Robert W. Taylor	By:/s/ Dennis Buss
Title:VP & General Manager	Title: Sales Manager

Attachments: Exhibit "A" – Stumpage Area Designation
Exhibit "B" – Harvest and Delivery Schedule
Exhibit "C" – Contract Price Schedule

STATE OF WASHINGTON)
) ss
County of Skagit)

The foregoing instrument was acknowledged before me this 30th day of March, 1999 by /s/ Dennis Buss, who is the Sales Manager of Crown Pacific Limited Partnership, on behalf of the Partnership.

	/s/ David W. Lambert
	Notary Public for Crown Pacific My Commission Expires: 1/5/2003

STATE OF WASHINGTON)
) ss
County of King)

The foregoing instrument was acknowledged before me this 26th day of March, 1999 by /s/ Robert W. Taylor, who is the VP & General Manager of Northwest Hardwoods, a Division of The Weyerhaeuser Company on behalf of the Buyer.

	/s/
	Notary Public for Northwest Hardwoods My Commission Expires:

	5/19/2000

[P. 7]

EXHIBIT A

STUMPAGE SALE AND DELIVERED LOG AGREEMENT (HAMILTON TREE FARM)

NORTHWEST HARDWOODS

AGREEMENT (HAMILTON TREE FARM)

SALE NAME	BRAND	ACRES	SAWLOG VOLUME (MBF)	SECTIONS	TWP	RANGE
BURPEE BASIN	523	75	825	3	35N	8E
STIHL HIGH	564	160	960	3 & 10	32N	9E
HANDS DOWN	505	40	323	28,29 & 33	36N	8E
CAD EDGE	560	22	118	26 & 27	36N	8E
HURRICANE	506	148	1448	29	36N	5E
~~RUXALL~~	560	78	826	22, 27 &28	35n	8E
	TO-TALS	523	4,500			

It is understood by Both Parties that with the written consent of Both Parties that this Exhibit can be altered to include more or delete from Parcels on This list in order to comply with the volume and terms of This Contract.

[Handwriting – Partially Illegible]

[P. 8]

EXHIBIT B

STUMPAGE SALE AND DELIVERED LOG AGREEMENT (HAMILTON TREE FARM)

NORTHWEST HARDWOODS

DELIVERY VOLUME	4500 MBF
DELIVERY START DATE	1-Apr-99
CONTRACT ENDING DATE	30-Apr-00

SELLER WILL ENDEAVOR TO DELIVER APPROXIMATELY 35 MBF OF ALDER PRODUCT PER DAY TO BUYERS FACILITY BETWEEN Apr 1st and May 15th 1999. THEREAFTER, BETWEEN MAY 17TH AND AUGUST 31ST 1999, SELLER WILL ACCOMMODATE BUYER'S PRODUCTION REQUESTS, AS REGARDS, HARVEST AND DELIVERY, BASED UPON BUYER'S INVENTORY LEVEL SHOULD BUYER DESIRE TO REDUCE OR ELIMINATE DELIVERIES FROM THE ASSIGNED BRANDS.

[P. 9]

EXHIBIT C

CONTRACT LOG PRICE SCHEDULE

STUMPAGE SALE AND DELIVERED LOG AGREEMENT (HAMILTON TREE FARM)

NORTHWEST HARDWOODS

DIAMETER	PRICE BY QUALITY SORT ($$/MBF)		
	HIGH	MEDIUM	LOW
15"+	$525.00	$525.00	$125.00
12" TO 14"	$500.00	$500.00	$125.00
10" to 11"	$475.00	$475.00	$125.00
9"	$425.00	$425.00	$125.00
8"	$375.00	$375.00	$125.00
6" TO 7"	$250.00	$200.00	$125.00
4" TO 5"	$200.00	$200.00	$125.00

It is understood by Both Parties that while this Contract is specific to Alder Saw Logs the Seller will deliver and the buyer will accept deliveries of Alder Pulp Logs separate of this Agreement at the rate of $24.00 per ton.

It is understood by both parties that the prices listed above are to serve as a price floor for this Contract and that during the term of this Contract prices will not fall below this floor but may be raised should the purchaser and seller deem that market conditions warrant such an increase.

[Exhibit 446]

NORTHWEST HARDWOODS
A Division of Weyerhaeuser
120 INDUSTRIAL WAY
LONGVIEW, WASHINGTON 98632
206/577-6878 FAX 206/577-7112

10220 SW Greenburg Road, Suite 570
Portland, Oregon 97223 USA
Tel (503) 246-5700
Toll Free (800) 553-5345
Fax (503) 245-5838

September 23, 1999

Mr. James E. Brown
State Forester
Oregon Department of Forestry
2600 State Street
Salem, Oregon 97310

Subject: Hardwoods – Possible Exemption from "Substitution" Rules

Dear Mr. Brown:

Weyerhaeuser Company and its Northwest Hardwoods division support the efforts of the State Forester and the Department of Forestry to amend Oregon's "substitution" rules to exempt hardwood species. We believe such a rule changed would be in the best interests of the schools, counties and other institutions that receive proceeds from state timber sales, and of Oregonians generally. We have retained a consultant to assist in documenting the facts on which those beliefs are based, and to report these to the department in the near future. We request that the state forester consider the report of the outside consultant in making its final decision

Hardwoods are minor species that occur throughout most Oregon timberlands and comprise a portion of most state

timber sales. Red alder is the most common and is a nitrogen-fixing pioneer species that often is the first timber to grow on sites disturbed by natural or human events, stabilizing and improving the soils for subsequent softwood species that are dominant in the forests of the Pacific Northwest. Although hardwoods generally have relatively short life spans compared to conifers, they provide habitat for many species and a forest landscape with biological diversity.

Oregon's softwood and hardwood industries are very different. Manufacturing of softwood lumber and other softwood commodity products has been a major Oregon industry for well over 100 years with well-established national and international distribution channels. Historically, hardwoods were considered "weed species" of little commercial or ecological value. Prior to 1970, hardwoods were used mainly for firewood and small-scale local crafts. Today, value-added products distributed directly to secondary manufacturers worldwide characterize the hardwood industry. Northwest Hardwoods and others have developed worldwide markets in furniture, cabinets, millwork, flooring and other specialty products manufactured from native hardwoods, predominantly red alder.

Northwest Hardwoods has become the largest producer and marketer of hardwood lumber, with six specialized hardwood mills in Oregon and Washington. Weyerhaeuser owns and manages 600,000 acres of western Oregon forestlands that contain well managed, fast growing stands, primarily Douglas-fir and other softwoods, with components of hardwoods as minor species. Weyerhaeuser sells substantial volumes of both standing timber and logs to other domestic firms, as well as supplying logs to its own Cottage Grove, Eugene and Garibaldi sawmills and Wilbur pole facility.

[P. 2] Although the hardwood industry remains much smaller than the softwood industry, it provides year-round family wage jobs and other economic benefits to small towns and

rural areas, and solid markets for species that previously provided no economic return to forestland owners. In the communities of Coos Bay, Eugene and Garibaldi, Northwest Hardwoods provides direct employment to 252 people. Applying to economic impact multiplier of 1.7 to one, we also generate an additional 428 indirect jobs associated with our hardwoods operations.

Northwest Hardwoods' parent Weyerhaeuser now manages some of its lands specifically for hardwoods. Hardwood management could be an economically and environmentally attractive alternative on suitable sites for some state lands if markets for hardwoods remain strong and competitive. At this point the current substitution rules threaten to weaken markets for hardwoods and jeopardize opportunities for better management of state forestlands.

The current "substitution" rules in Oregon impair our parent company's ability to compete, requiring that we consent to be at a competitive disadvantage in either the hardwood industry or the much larger softwood industry. If Weyerhaeuser were to sell softwood logs to the highest bidder, and even a very small number of them ended up in export, Northwest Hardwoods would be disqualified from buying hardwood logs produced from Oregon state and local government lands. Those logs are estimated to provide about 50 percent of the raw materials for our hardwood facilities at Coos Bay and Eugene. Thus, for Weyerhaeuser to fully develop the potential of its major softwood business, Northwest Hardwoods would have to sacrifice our smaller but equally important hardwood business. The State of Washington has had an exemption for hardwoods form its "substitution" rules for some time, allowing Northwest Hardwoods and Weyerhaeuser to compete in both the hardwood and softwood industries on equal footing with companies that operate in only one.

We believe the current Oregon rules are not in the best interests of the citizens of Oregon. The state can and should en-

courage further development of both its hardwood and softwood industries, and cease penalizing firms that strive to compete in both. In Washington State, the hardwood exemption has not prevented smaller, independent companies from remaining competitive in hardwoods. The hardwood exemption benefits purchasers of state and local government timber, who need markets for hardwoods produced as a minor portion of the harvest from timber sales purchased primarily for their softwood species. It also benefits the state and local governments, which, under the current Oregon approach, would not be able to obtain full market value for the hardwood components of their timber sales.

Thank you for your consideration of our position. We fully support your efforts to amend the "substitution" rules to exempt hardwood species.

Very truly yours,

/s/ Rod Buck

Rod Buck, Mill Manager

Northwest Hardwoods, Eugene

(541) 689-2581

[Exhibit 463]

[redacted]

NORTHWEST HARDWOODS

A Weyerhaeuser Company

SUPPLIER GUIDE TO:

SAWLOG SPECIFICATIONS And SORT AND QUALITY REQUIREMENTS

Eugene

1999

EXHIBIT
CV 00-1693 PA
463

NORTHWEST HARDWOODS
LOG QUALITY AND SORT
SPECIFICATIONS SUMMARY

Northwest Hardwoods produces hardwood lumber at several locations throughout the west, using mostly Alder, Maple and Ash. Our product differs from softwood in that our lumber grades are based on visual and not structural characteristics, so log quality plays a major roll in producing quality lumber. Bruising, scaring and age stain can cause a significant reduction in lumber value. The following pages will cover the Northwest Hardwoods sorts and quality specifications.

Northwest Hardwoods scaling is done based on the official Log Scaling and Grading Bureau rules. Scalers are familiar with the official rules for taking measurements and deductions followed by the Bureaus. Scalers are also trained on Northwest Hardwoods sort designations and log quality reporting codes.

I. SAWMILL LOG SPECIFICATIONS

A. **PREFERRED CUTTING LENGTHS** Northwest Hardwoods maximizes the production of 10' lumber. Preferred lengths will maximize 10' multiples and allow 8' multiples when necessary. The preferred lengths are as follows:

1) **First Preference** - 40', 38' & 30' Lengths
2) **Second Preference** - 28', 20' Lengths
3) **AVOID** - 16', 24' and 32' Lengths
4) **NOT ACCEPTABLE** - 12', 14' and 22' lengths.

B. **TRIM** 4" of trim is required for every 10' and 8' multiple.

C. **SPECIES**

1) ALDER, MAPLE, ASH
2) Cherry and Chinquapin if it is less than 15" on the big end.

D. SIZE REQUIREMENTS

1) **Minimum top diameter**: 5"
2) **Maximum butt diameter**: Alder: 40" Maple: 30"
3) **Length:** 10' Minimum, 40' Maximum

E. GENERAL LOG REQUIREMENTS If an excessive percentage of the volume is outside of the specifications, refusal of load or reduction of price may be assessed.

1) **Fresh cut** sound timber, suitable for the manufacturing of lumber.
2) **Mechanically processed** logs will be a specific sort or downgraded.
3) **Age stained** logs (down too long) will be a specific sort or downgraded.
4) **Mechanically debarkable**
5) **Limbs & knots** trimmed flush with the log.
6) **Broken ends** bucked back to 1/2 the log diameter.
7) **Remove deformity and defects.**

II. **SORT SPECIFICATIONS** All logs will be given a grade sort. The following are the Northwest Hardwoods sorts and the requirements for each.

A. **High -"H"** High grade sawmill logs will have at least 75% surface clear and no more than 25% deductible defect.

B. **Medium -"M"** Medium grade sawmill logs will have at least 25% surface clear and no more than 50% deductible defect.

C. **Low -"L"** Low grade (pulp) logs are those that do not meet the minimum sawmill log requirements, or those that have more than three feet of stain on either the large or small end of the log. A low must that have at least 50% recovery in firm usable chips.

D. **Age Stain -"A"** Any alder log with at least six inches, but not more than three feet of stain on either end will be identified as an "Age Stained" log and will be a specific sort, with no deductions being made for the sound stain. Any rot will still be deductible. Logs with more than three feet of end stain will be sorted to a LOW.

E. **Mechanically Processed Logs -"P"** A log that has been manufactured by a press roll processor will leave imprints of the press roll surface on the log in varying degrees. A log will receive the "P" sort designation when surface penetration or bruising or oxidizing of the fiber is evident to a depth of ¼" or more over 25% of the length of the log.

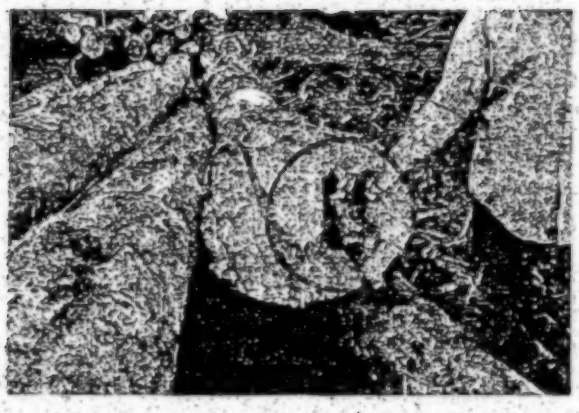
F. **Cull -"C"** Cull logs are those that do not meet the minimum recovery requirements of the Low sort.

G. **Reject -"R"** Reject logs are those that are not usable in the respective facilities because of excessive deformity, defect or species.

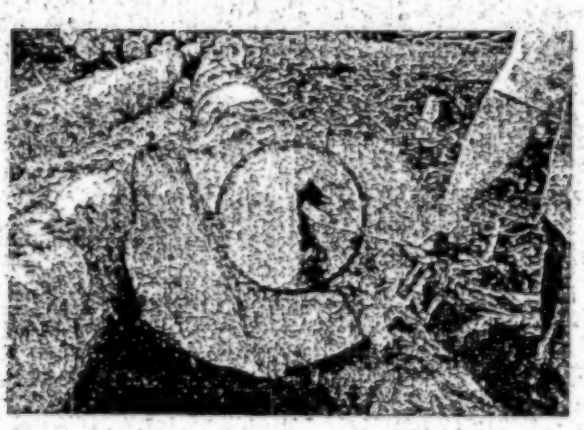
III. **AGE STAIN** Age stain is a major problem in Alder. Age stain occurs after trees have been cut when the weather is above about 65 degrees. Often the stain can begin to appear within two weeks of harvest, so it is important to plan harvesting to allow for prompt delivery to the mill.

Alder is not a structural wood but rather an appearance wood. Sound stain in the structural grades of softwood lumber is not an issue as it doesn't affect the strength of the lumber. Age stain in Alder lumber however can cause a significant reduction in lumber values since it affects the appearance, thereby lowering the grade and value of the lumber.

The following pictures show age stain in alder logs, as well as other defect and quality issues.

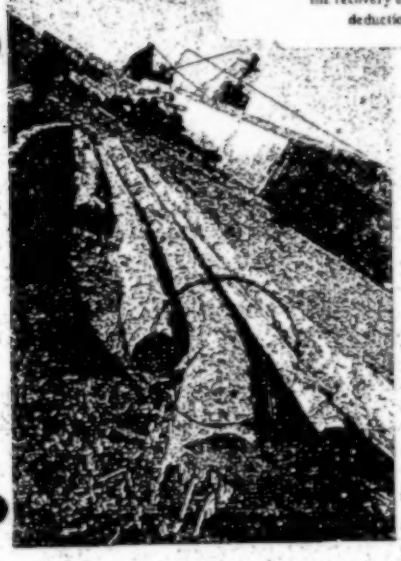


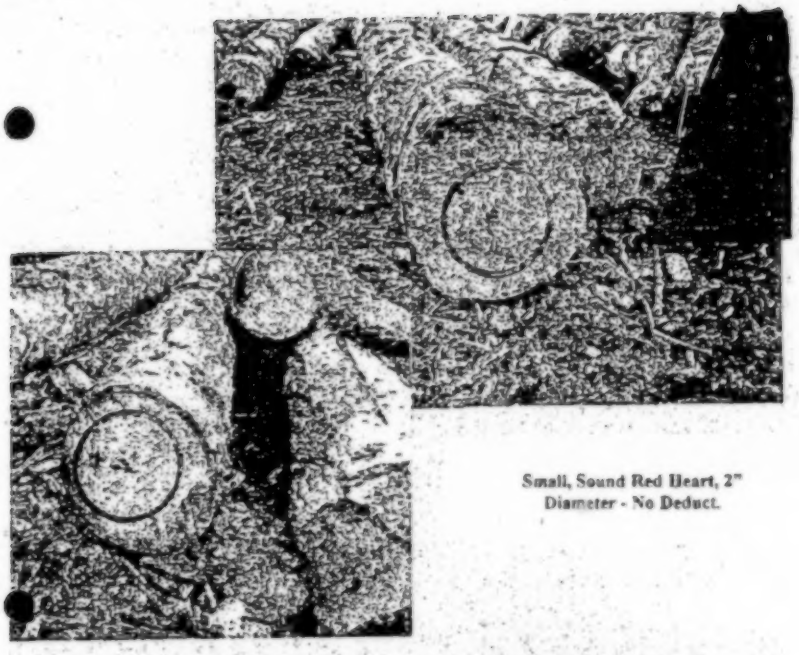
Stump Pull - 1' Deduct



Sweep - No Deduct

If the sweep is gentle enough to not affect the recovery of 8' or 10' blocks, no deduction is necessary.



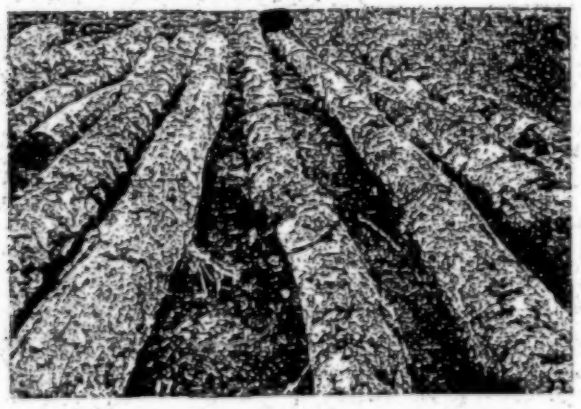


Small, Sound Red Heart, 2" Diameter - No Deduct.

6" Red Heart and Rot - 1'-2' Deduct

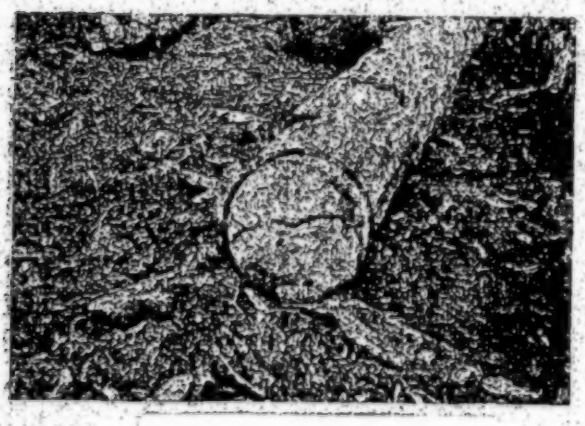
Hooked Butt - 2' deduct

Crook - 1' Deduct

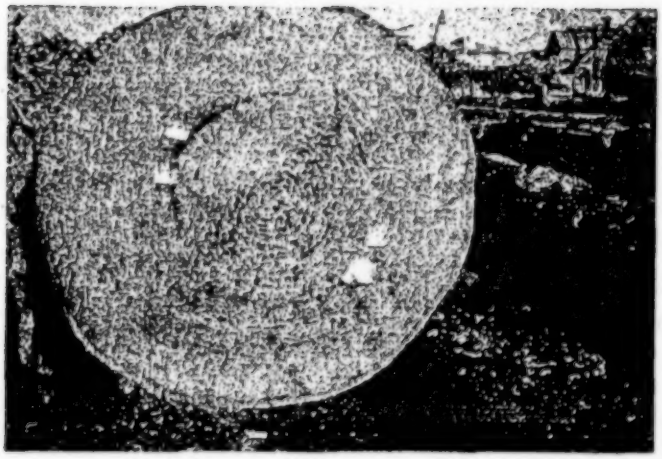


Stump Pull and Split, 6' up the log - 4' Deduct

A straight split will allow for recovery on either side of the split, deducting the entire split area may be excessive.



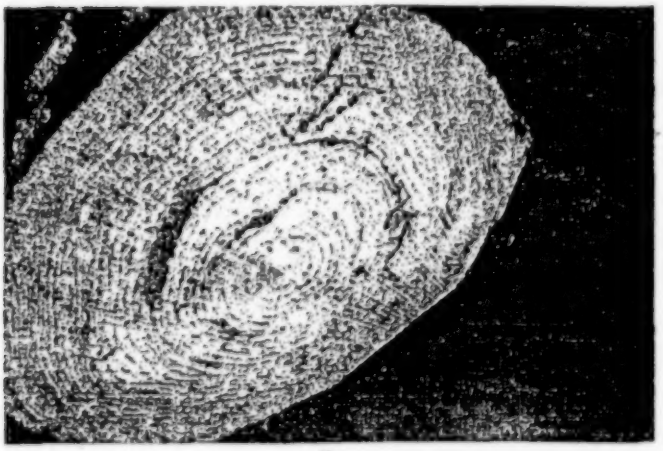
3' Split - 2' Deduct



Shake Ring

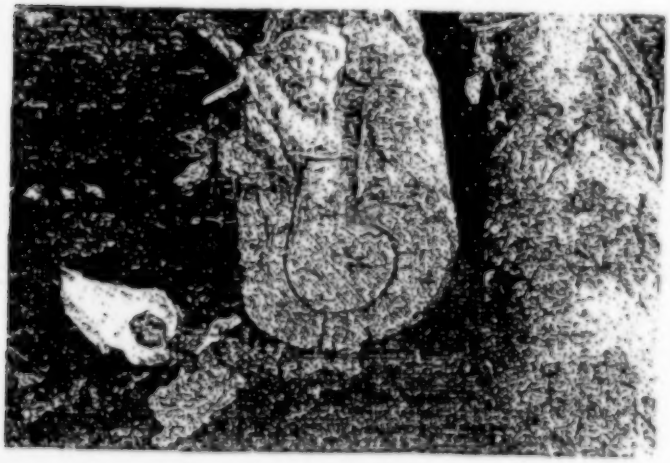
These pictures show shake in alder. This defect often shows up in both ends of the log, although it may be difficult to see. A diameter deduction is the proper way to remove the defect.

This log has a full ring in both ends of the log. Recovery is still possible on the outside of the ring, a 3" deduction is sufficient here.



Shake Ring

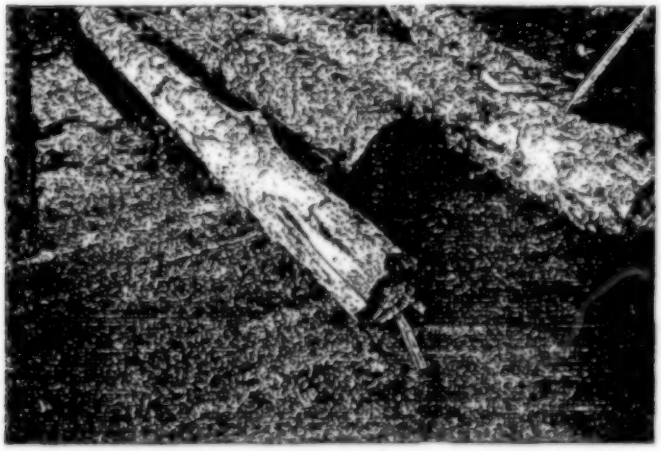
These logs show the separation on the growth ring. The log above has the ring in both ends and associated break. Taking a 3" diameter deduction (See Page 4) reduced the log to less than half scale and made the log a Low. The log below shows break along the ring. With the ring and the break this log is also less than half scale so is sorted to a Low.



Shake Ring

The log above shows the delamination caused by the shake. This log has the ring on both ends. The 4" deduction reduced the log to a Low

The log below shows the ring separation and break. This is the large end of the log. There is no recovery outside of the ring so the log is sorted to a Low.

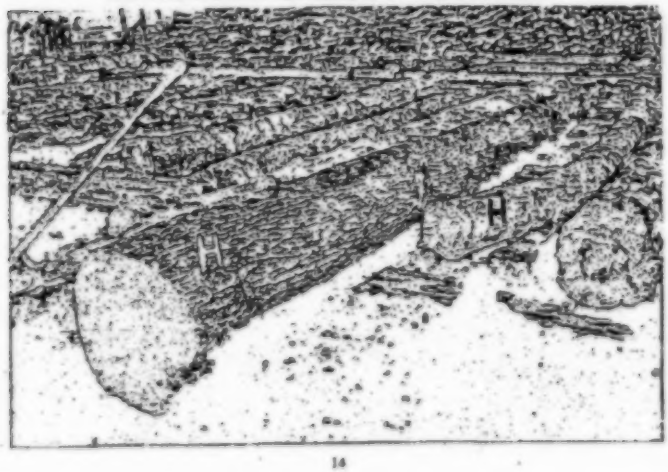


High Sort Logs - Sort "H"

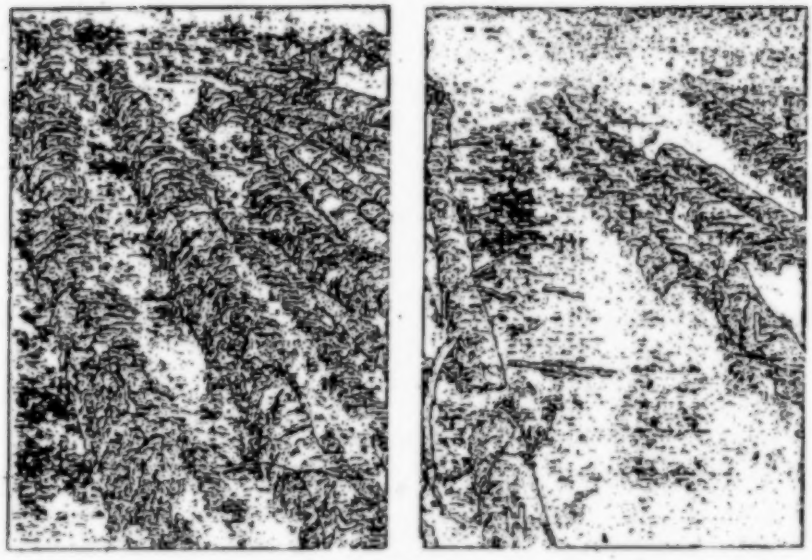
At least 75% surface clear and no more than 25% defect.

Medium Sort Logs - Sort "M"

At least 25% surface clear and no more than 50% defect.



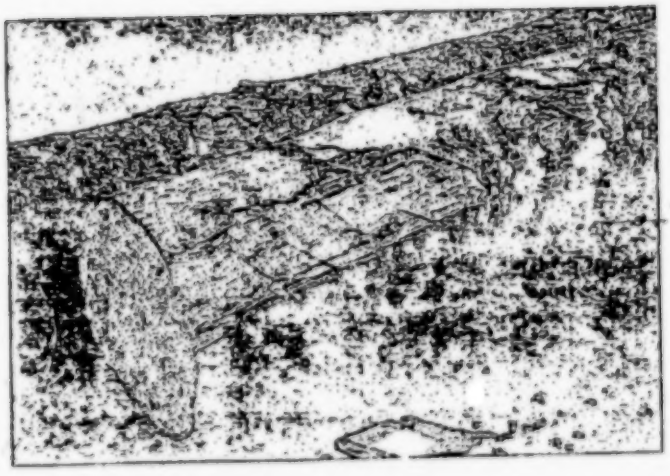
14



Limbs should be bucked flush with the bole of the log. L Quality Call.

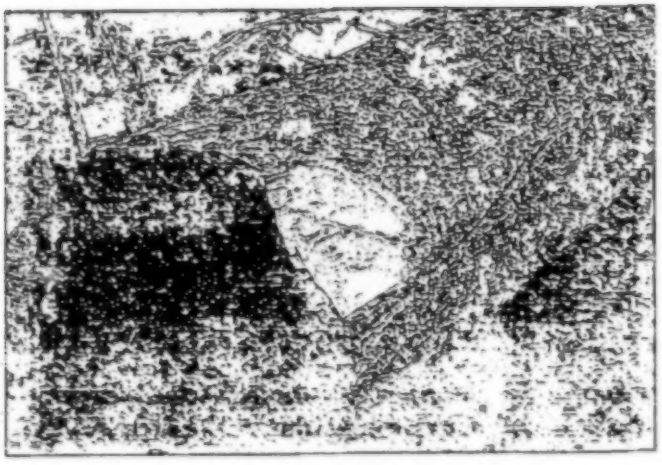
Low Sort Logs - Sort "L"

Logs that do not meet the minimum recovery for the analog sorts but have at least 50% recovery in firm usable chips.



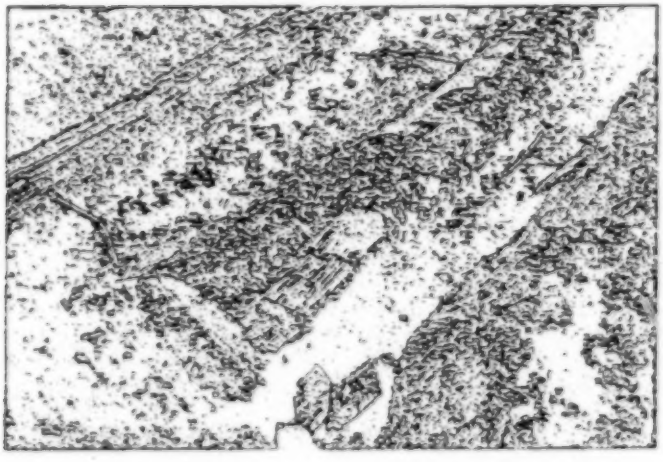
Age Stained Logs - Sort "A"
Age Stained logs (A) are those with at least 6" but less than 3' of end stain. Both of these logs would be an "A" sort.

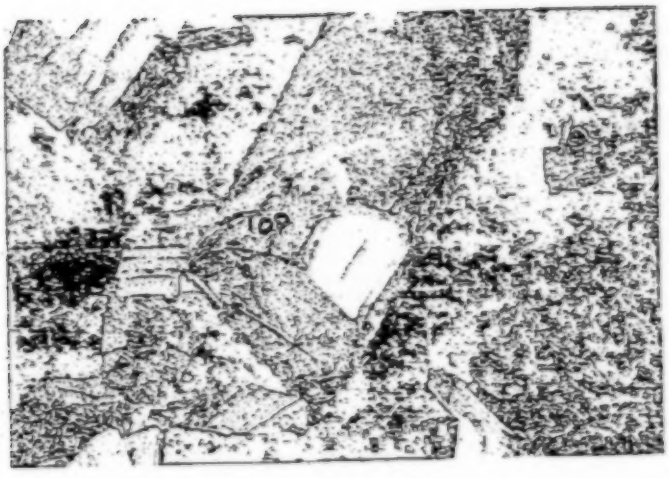
Age Stained Logs - Sort "A"
It is necessary to sample logs to
determine the amount of stain that exists.
This log would fall into the "A" sort



Looks can be deceiving. This log above looks worse than it is, but it has less than 6" of end stain so would not be an "A" sort. The log below looks similar on the outside but has more than 6" of end stain.

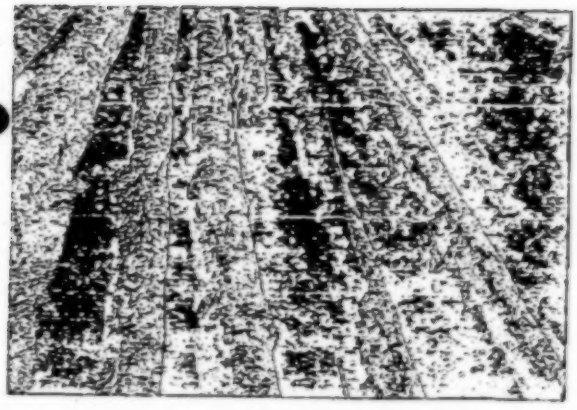
Watch for indications of stain and rot, as in the end of the log above. These logs look quite fresh, but upon sampling are determined to be Age Stained.





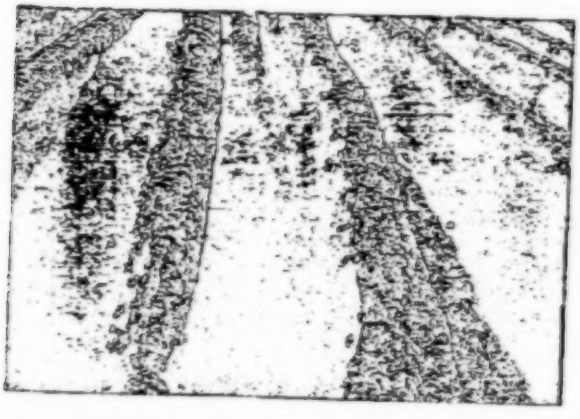
Age Stained Logs - Sort "A"

It is important to check both ends of the log. This log has no stain on the top, but over 6" on the butt. It would be an "A" sort.

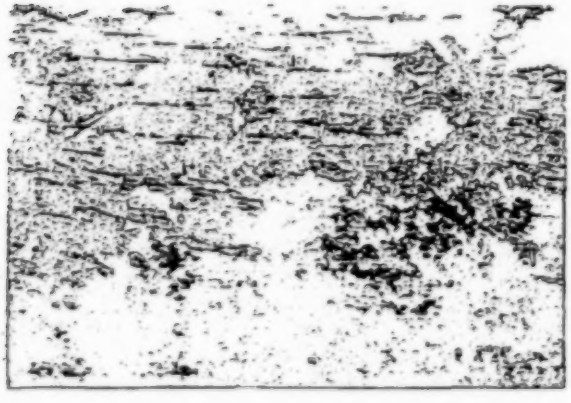


Press Roll Processed Logs – Sort "P"

Several of these logs have bruising or damage to a depth of over ¼" over more than 25% of the log, so would fall under the "P" sort.



Press Roll Processed Logs - Sort "F"
These spikes often bruise the log and leave white spots in the finished lumber. "F" sort logs should be sampled with an ax to determine depth of bruising and damage.



IV. **Log Quality/Defect Codes** A quality code is usually recorded for logs that are mis-manufactured where there has not been a good faith effort to correct the problem. Some calls are certain, i.e. broken ends, unbucked limbs, multiple tops and poor trim. The following are the codes that are to be input into the handheld and a description of each.

A. **Age Stain - Code "AS"** Used when age stain is present in sawlogs purchased by weight or sawlogs in sample scaled pulp loads.

B. **Broken End - Code "B"** Good faith efforts to buck broken ends will not have a quality call. The unbucked end or the improperly bucked end will have a call.

C. **Butt Rot - Code "BR"** Good faith effort to reduce it to a third or less of the diameter will not have a quality call.

D. **Crook/Dogleg - Code "CR"** Should be called when less than 8' of a good block exists on either end of the defect, or when the defect is so pronounced as to cause a hangup in the manufacturing process.

E. **Catface - Code "CF"** Should be called when less than 8' of a good block exists on either end of the defect, or when the defect is so pronounced as to cause a hangup in the manufacturing process.

F. **Deadwood - Code "DW"** A log from a tree that has been dead or down for some time, not just stained but obviously dead. Low or Cull.

G. **Flutes/Flares/Wildly Angled Stump Cuts - Code "F"** If untrimmed or unbucked, these will be called. Improper trim is often the result.

H. **Excessively Hooked Butts - Code "H"** Deformity that yields little recovery or presents serious manufacturing problems.

I. **Untrimmed Limbs/Knots - Code "L"** This is a certain call for a log with knots that are not trimmed flush with the log.

J. **Mechanical Damage - Code "M"** Excessive grapple or processor damage will get this call, i.e. chatter broken ends, slabs and gouges.

K. **Not Debarkable - Code "ND"** Excessive deformity, unbucked suckers, limbs or surface irregularities.

L. **Shake Ring - Code "SR"** An exception to the rule of a good faith effort. This is a defect that should reported at all times.

M. **Mistrim - Code "T"** A certain call when the off spec trim requires recording of unneeded length or insufficient trim for the number of segments in the log.

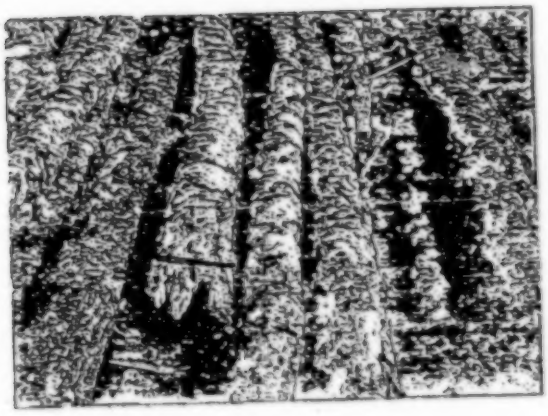
N. **Too Long - Code "TL"** A log over 40' plus trim.

O. **Undersize - Code "U"** Undersize in length or diameter as specified in the Purchase Agreement.

P. **Multiple Top/Crotch - Code "Y"** A crotched or multiple top that has not been bucked to remove the bark seam or the double heart. A certain call.

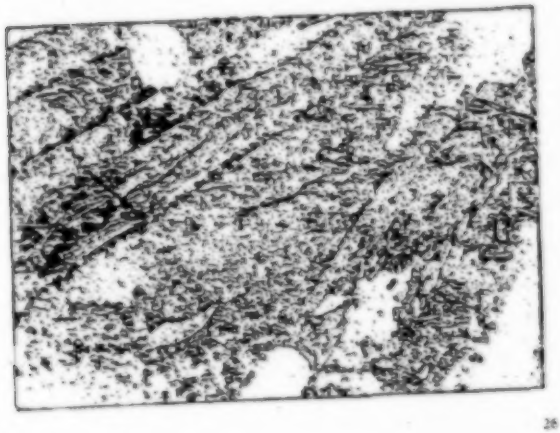
THE FOLLOWING PICTURES SHOW EXAMPLES

OF QUALITY AND DEFECT CALLS



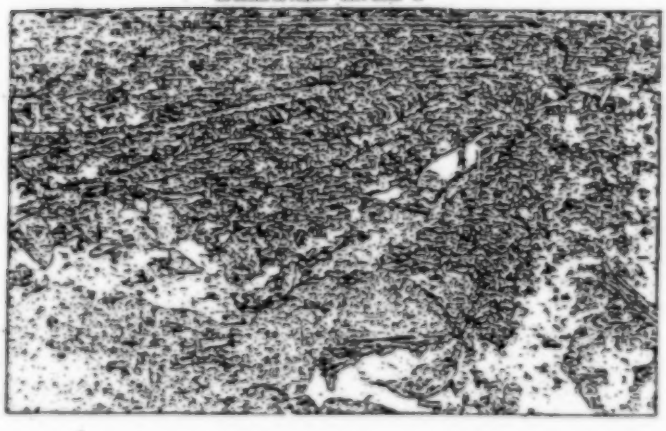
Log Quality Issues

Broken End - quality code "B"
Should have been bucked at half the scale diameter.



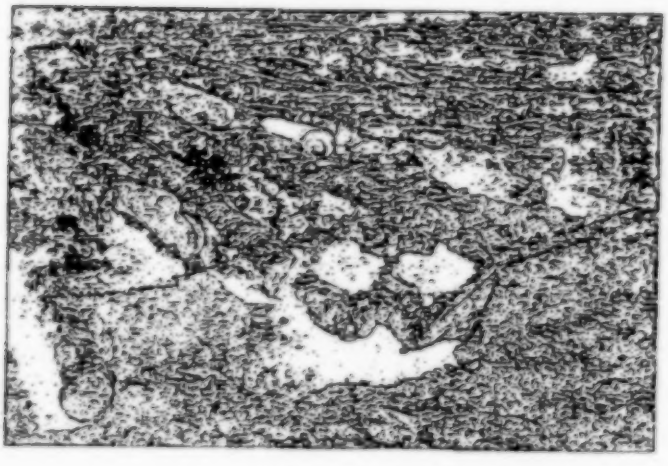
Log Quality Issues

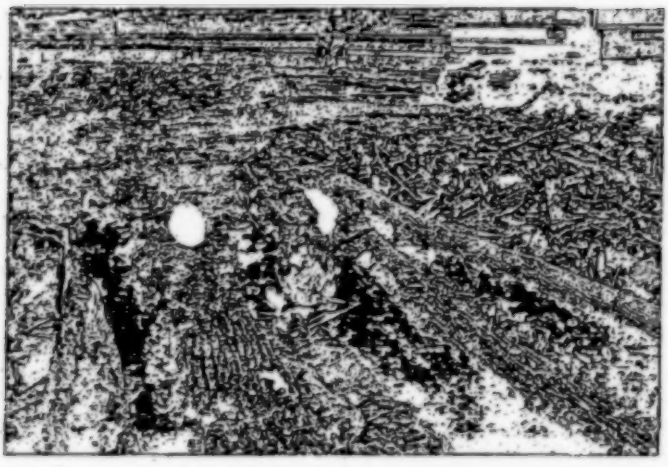
Crotched Tops - Code "Y"
Should have been bucked below the crotch.
The log below is not debarkable, so should
be coded as Reject - Sort Code "R"



Log Quality Issues

Above: Crotched Tops - "Y"
Below: Not Debarkable - "ND"
Excessive deformity or defect, Reject - R





Log Quality Issues

Above: Crotched/poorly bucked sucker,
Code "Y"
Below: Deadwood - "DW"

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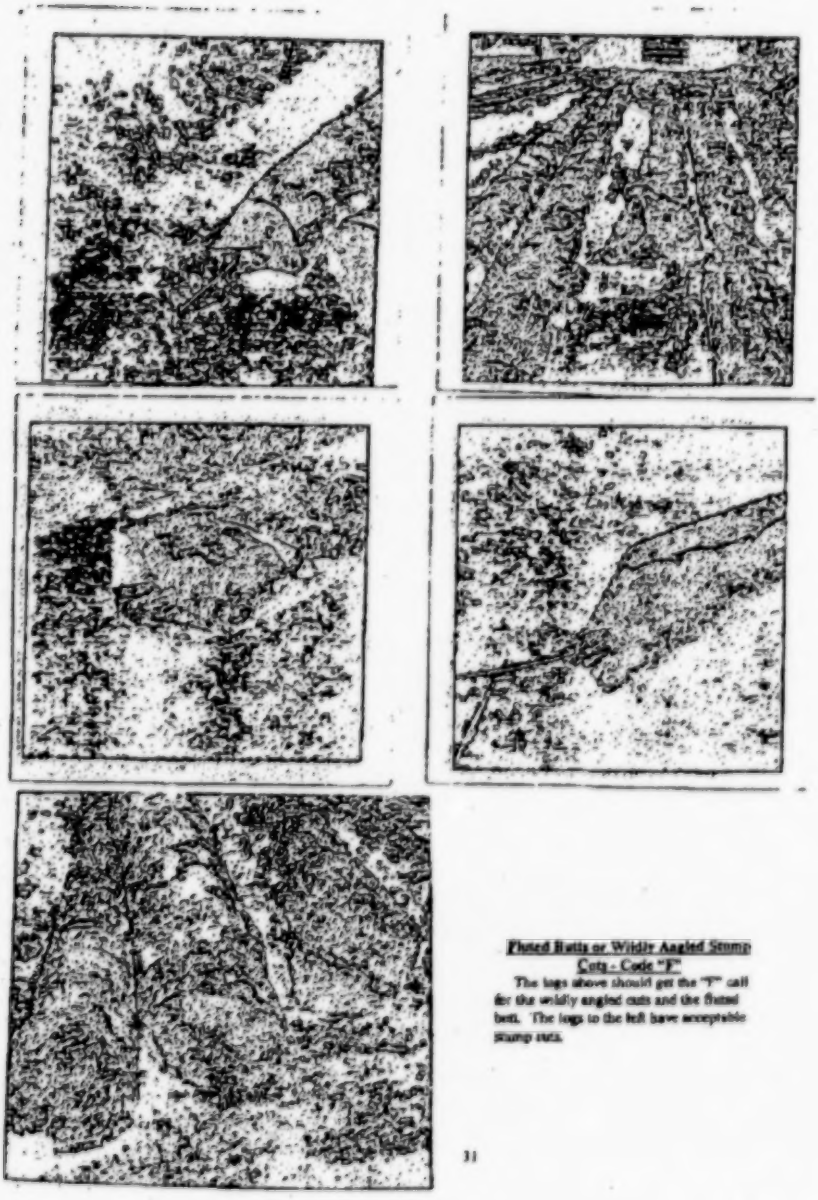
Mechanical Damage - Code "M"
All of these logs would get the "M" call. The logs above were damaged by a grapple or fork, the log to the left was bucked with a processor which, done improperly, caused this "chatter break".



Fluted Butts or Wildly Angled Stump Cuts - Code "F"

The logs above should get the "F" call for the wildly angled cuts and the fluted butt. The logs to the left have acceptable stump cuts.

Conifers - Code "CF"
The conifer on this log should get the "CF" call as there isn't an 8' block below the affected area or any recovery on the back side of the log.

Reject or Cull - Code "R" or "C"
This log has excessive defect and will be coded as an R. It may also be graded a Cull as it most likely does not have 50% recovery in firm, usable chips.

[Exhibit 472]

Weyerhaeuser Speeches and Interviews

Corrugated Packaging in our Consolidating / Globalizing / Modernizing Industry

Remarks by Steve Rogel, Chairman, President and CEO at the TAPPI Corr Expo 2001, Washington State Convention Center, Seattle, Washington - October 15, 2001

Good morning and thank you for inviting me to your conference. The corrugated packaging business occupies a special place in my heart as I've spent the greatest part of my career in the containerboard packaging industry.

And a chemical engineer like me always feels at home in a room with so many technical people. You know what they say about engineers?

An optimist says the glass is half-full.
A pessimist says it's half-empty.
The engineer says: "Looks like you've got 100 percent more capacity than you need."

Amusing perhaps, but I think the stark reality of our business is that we do have a bit more capacity than we need at this time. In the case of the North American packaging business, that means more corrugators and linerboard mills than demand justifies.

What I'd like to do this morning is share my thoughts about how we've arrived at such a state of affairs and how we might get out of it. My focus will largely be on North America, but those of you from other parts of the world should be able to grasp the implications for your regions.

First, however, I believe it's appropriate to spend a few moments discussing how the terrorist attacks of a month ago have impacted the United States and our global business en-

vironment. To some degree, we're experiencing a paradigm shift.

For the U.S. – and for many nations – assumptions about normalcy and security have been altered. Suddenly, we must contemplate the possibility of unexpected, wrenching disruptions to our financial and commercial markets. Suddenly, we're confronted with the possibility that our homes and workplaces are not immune from attack.

As we all know, there is nothing stakeholders in the business world hate more than uncertainty and risk.

For the past decade, we have invested in, gloried in, and fantasized about the boundless promise of new technologies. At the same time, it's become painfully obvious that technology also has enabled individuals or small groups to wreak havoc to a degree that would have, heretofore, required armies.

This was proven not only by the events of September 11, and by the worldwide computer viruses of the following week, but now by biological terrorism.

So, technology has both empowered us and made us more vulnerable. We now face the fact that small cells of fanatics can cripple cities and stagger societies.

On a more positive note, these events have made Americans – and peoples around the world – even more aware of how dependent nations are upon each other. The blows to the U.S. quickly reverberated throughout the global economy. No one can any longer doubt that some issues can only be resolved on a global basis.

And, perhaps the flip side of America's heightened recognition of global interdependence, is our rediscovery of our common bonds. A long period of partisan politics and glorification of our differences has been replaced by a renewal our of shared values and a common cause.

I hope this spirit lasts. We must celebrate our similarities as well as our differences.

What does all this mean to the corrugated packaging business? In the short run, it probably means an even more difficult second half of the year than we were projecting. Even prior to September 11, box shipments in the U.S. [P. 2] were down 5 percent for the year. And, even before the attacks, consumer confidence had experienced one of its largest month-to-month drops ever – reaching its lowest level since 1996.

But the challenges to the North American box business did not begin last month . . . or last year. Our problems began decades ago when U.S. manufacturing started moving offshore. This was the first of three waves of change that have undercut our growth and profitability.

Some have termed the first wave the de-industrialization of America. Others have called it, on the positive side, the "Information Economy." Because of perceived, or real, advantages of manufacturing overseas – including lower labor costs and less restrictive regulatory environments – many traditionally American products began to be made in other countries.

This trend has been exacerbated by the fact that much of the emerging American labor force lacks enthusiasm for manual labor, including the making of boxes.

At first, these foreign-made, but U.S. bound products, were shipped back in American-made boxes. But it wasn't long before the producing countries developed their own box plants. Even then, these plants bought their linerboard from North America.

Now, as we all know, linerboard capacity is mushrooming outside of North America. One result is that linerboard exports from North America have declined more than 50 percent since 1998.

However, overseas packaging producers still need softwood fiber. They've been getting it from recycled old corrugated containers – OCC – from North America. So, the trend has been a substitution of OCC for linerboard exports.

Eventually, of course, recycled fibers lose their strength – and there is a finite supply – and virgin fiber is still required. I'll return to the source of that fiber later in my remarks.

A second wave of change facing our business is the increasing importation of agricultural products into the United States – for example, grapes from Chile, vegetables from Mexico, and ag products from virtually every part of the globe. As I indicated, this produce is not being shipped to us in U.S.-made boxes.

Finally, we are seeing increasing substitution of competing forms of shipping containers, primarily plastic boxes.

By now, I'm sure you've heard enough about the threats to our North American packaging industry. What do we do about them?

Over the long term, I believe stabilization for our U.S. businesses will come from three sources:

- Continued consolidation of our industry and the closure of excess capacity.
- Globalization of our business to capture growth opportunities outside the U.S.
- And, a future-based orientation.

Let's begin with consolidation. It's happening, and I believe that's a good thing.

The fragmentation of our industry has led to construction binges and over-capacity – at both the mill and converting levels. It leads to other manufacturing and distribution inefficiencies. It also makes it difficult to provide top-quality service to customers who increasingly require national and now global supply.

To help illustrate this point, all we need to do is take a look at Europe. Between 1974 and the end of 2000, the stock of Europe's pulp and paper industry underperformed the overall European equity market by a whopping 914 percent!

And, despite several bouts of consolidation, Europe still has more than 1,000 paper companies – many small or medium-sized family firms.

According to *The Economist*, "these marginal producers have long made it hard . . . to avoid price wars when demand for paper has fallen."

[P. 3] On the other hand, several large consolidations in Scandinavia's paper industry have resulted in improved performance numbers.

For example, revenue in 2000 for the Scandinavians was nearly $32 billion, a figure that has doubled since 1996 and quadrupled since 1992. About 90 percent of the sales from this group are outside the region.

How did they do this?

Consolidation was a key, along with favorable currency exchange ratios. To mention two major consolidations:

- UPM and Kymmene, both of Finland, merged to become one of the world's largest forest products companies and recently agreed to buy German paper producer Haindl. UPM-Kymmene also has made purchases in the U.S. and Canada.
- Stora of Sweden and Enso of Finland merged and then purchased Consolidated Papers in the U.S.

The people at Stora-Enso say size does count. Size has allowed them to be more disciplined and focused on creating stable returns, while, at the same time, giving them flexibility to sell non-core assets.

It's for reasons like these that we at Weyerhaeuser acquired MacMillan Bloedel and Trus Joist International, and why we're pursuing Willamette Industries. To paraphrase former CEO Jack Welch of GE, we're taking control of our destiny before someone else does.

Of course, consolidation is occurring elsewhere in North America.

Over the past few years, we've seen International Paper acquire Union Camp, Federal Paperboard, and Champion . . . Georgia Pacific absorb Fort James . . . Jefferson Smurfit combine with Stone Container . . . Mead and Westvaco plan to join together . . . and in recent weeks, Temple-Inland has made a bid for Gaylord.

Another major driver of consolidation is the change in channels to the retail market – what we refer to as "big-box stores." For corrugated containers, some of the major players are large supermarket chains. Within the past two years, we've seen Albertson's buy American Stores . . . Safeway purchase Dominick's . . . and Kroger acquire Fred Meyer.

I know this one well, since I was on the board of Fred Meyer and now am on the board of Kroger. I guess you could say I got acquired!

Direct corrugated users are combining too. Iowa Beef Packers bought Food Brands before Tyson Foods bought it . . . Pepsi-Cola bought Quaker Oats . . . Gillette bought Duracell. And the beat goes on!

Why are there so many mergers among our customer base?

Because their customers – our ultimate customers – want:

- Product availability and selection.
- Damage-free goods.
- Choice of features.
- Ease of payment.

- No stock-outs.
- In a word, value.

Consequently, then, our direct box customers want:

- Consistent quality and supply over a wide geographic basis.
- The strongest boxes possible for the least fiber input.
- Specific qualities for their boxes, often including eye-catching graphics.
- Simplified procure-to-pay systems that are convenient and lower their transition costs.
- Vendor-managed inventories.
- In a word, value – just like their customers.

[P. 4] Changing gears, where does globalization come in and how can it help us in North America?

Primarily by opening up new markets for our North American production as markets in other geographies grow – and they're growing faster than those in North America.

On a long-term, global basis, demand for corrugated packaging is projected to rise at rates higher than GDP, especially in the developing world.

For example, Asian countries, excluding Japan, are expected to account for 45 percent of world paper and paperboard growth over the next decade.

In this regard, China's output of paper and packaging products – 13 million tons last year is projected to rise to 20 million tons by 2005 and up to 30 million tons by 2010.

And, statistics show that, in the past, half of the paper and paperboard for packaging use has been imported into China.

Of course, if you're a non-North American producer, you're already looking at these same markets. So, we here in North America have our work cut out for us.

These are some of the obstacles we face:

- Our labor costs are high on a global scale.
- We face long transport lanes to foreign markets, with attendant high freight costs.
- We must also contend with environmental costs and more restricted availability of softwood fiber than many other nations.

We do have advantages, of course:

- We are among the quality leaders in building boxes.
- Our graphics design and production capabilities are very high.
- No region yet compares with North America in creating, managing and improving forests. We're still the source of the world's best softwood fiber. And we can never forget that softwood fiber drives the box business.

However, harkening back to my theme of globalization, the source of our virgin fiber is becoming ever more international. In the future, we'll see significant virgin fiber from South America and Australasia. I know because Weyerhaeuser will be providing some of it! Even with virgin softwood fiber, we have to think globally.

Finally, I want to advocate that we all adopt a future-based orientation. The world is always changing. We must keep moving forward. As the historians Will and Ariel Durant observed, "The future never just happened. It was created."

So what are some of the things we must do to create the future we want? I've already discussed the need for us to con-

tinue to consolidate and globalize our industry. Here are some additional tasks.

Given the ongoing threat of terrorism, we must create a safe and supportive work environment for our employees. This includes a strengthened effort to create a physically safe work place and a safety-focused work force. Distractions caused by world events and marketplace vexations add to the potential dangers in our work places.

Secondly, we must do a better job of recruiting and mentoring our next generation of leaders, scientists, engineers and other professionals. In North America, this task is complicated by the fact that we aren't turning out enough science, math, engineering or business graduates to meet industry's needs in general, let alone our own.

My challenge to all of you is to help promote our industry as an attractive one for talented young people. In the case of Weyerhaeuser, we do so through our support of the International Corrugated Packaging Foundation. I [P. 5] encourage all of you not already part of ICPF to join and help create a pool of highly qualified employees for the future.

We and other companies must also continue to plant the seeds for future success through research. For example, one of the things we're working to develop as an industry is super-strong, wood-fiber materials that will compete successfully with the plastics we see invading our markets today. Some of these are composites, with plastics and resins added.

At Weyerhaeuser, we continue to pursue innovation. For example, we've developed a new produce-grade medium that eliminates the use of wax. This helps us address concerns retailers have with disposing of wax-treated boxes – and better compete with plastics for the produce-packaging business.

We've also developed an automated paper-recycling machine – PaperSort™ – in partnership with MSS, a Nashville, Tennessee, company.

PaperSort™ uses advanced UV (ultra-violet) and LED (liquid electronic display) sensors to process recycled paper at least 40 times faster than via hand-sorting. It can quickly separate solid-color sheets, newspapers, brown board, color-printed items, white paper, off-white and other coated papers so that they can be recycled into the fiber supply for new paper, linerboard and packaging products. This is revolutionary technology and it's environmentally beneficial because of the landfill space it saves.

At this time, I'd like to show you a television news spot showing the use of this technology at our recycling plant. This aired on ABC News with Peter Jennings on April 27 of last year.

Incidentally, since this spot aired, this technology has advanced to a peak of 15 tons of wastepaper sorted per hour at a new installation in Sweden.

So, while technology can make us more vulnerable, it definitely can and should make us more competitive.

In conclusion, despite the current vexing state of our business environment, I'm optimistic about our industry – if we do the things I've outlined.

We must continue to consolidate and globalize our business. We must look to the future – and prepare for it. Also, in a world where intention constantly confronts the unforeseen, we must be adaptable.

Again, if we do these things, I have no doubt that we will succeed.

Thank you for inviting me to share my thoughts with you this morning.

[Exhibit 478]

* * *

Western Raw Material: February 1998

Log purchases: February purchases were 22.5 mmbf at $405/mbf, $27/mbf lower than January, versus plan of $425/mbf, sawlogs (8"+) averaged $445(last month $467), pulplogs (7"-) averaged $228 (last month $307) versus plan of $449 and $342 respectively. All locations were favorable to plan and below last month's averages.
Outlook for prices should continue to be favorable as alignment to lumber and chip markets occur and supply continues above conversion capacity. Relations with major suppliers continues to improve; Crown Pacific, Rayonier, PLS, Willamette, GP and Roseburg are generally in first refusal positions.
Inventories: Month end was 25.3 mmbf, down .3 from last month; 8"+ was 19.5 (last month 18.3), 7"- was 5.8 (last month 7.2). All locations were at or above target with exception of Coos Bay pulplogs which continued hand-to-mouth; Centralia and Eugene exceeded capacity inventories requiring alternate storage. Inter yard transfers were limited to small volumes of blocks/logs from Tumwater to Arlington and sort-out logs from Aberdeen (Local) to Garibaldi.
Timberlands: Coos Bay Tblds continued in transition to timber sales; first sales likely in April; we expect to have reserve position on hardwoods. We continued to focus on improving planning and tactical timing with Tblds to improve inventory control and log quality; Longview contractors for the first time delivered woods direct to Garibaldi to eliminate second-handle.
HRMC: Began fresh look at data refinement and management; expect to eventually tie to data base system and align with log system.
Chips: Supply generally in balance, although roundwood

began to build at month end. Several whole log operators with high log inventories as chip prices moved lower at domestic mills. With current export prices below domestic, expect more downward price pressure from domestic mills in second qtr. Log prices could fall to low 20s/tn putting some producers below b/e costs.

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[Exhibit 482]

Northwest Hardwoods: Longview - Log Purchases

		Volume MBF	Price $/MBF
1997			
	3rd Party	28,080	459
	Weyco	17,500	330
	Difference		129
	Total		$2,257,500
1998			
	3rd Party	19,972	453
	Weyco	25,600	288
	Difference		165
	Total		$4,224,000
1999			
	3rd Party	23,140	496
	Weyco	24,989	350
	Difference		146
	Total		$3,698,372
2000			
	3rd Party	27,481	563
	Weyco	16,433	403
	Difference		160
	Total		$2,629,280
2001			
	3rd Party	23,236	537
	Weyco	11,136	362
	Difference		175
	Total		$1,948,800

EXHIBIT
CV 00-1693 PA
482

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,992	1,876	941	7,433	6,797	914	30,992	28,418	917
Pulp - MBF	1,338	323	240	4,618	1,133	245	22,315	5,468	245
Discounts/Claims/Freight		(7)	(0)		(43)	(9)		(192)	(9)
Net 3rd Party Sales - MBF	3,330	1,996	599	12,051	7,887	655	53,307	33,692	634
Intra Division Sales									
Sales - Keene	131	88	666	322	184	570	1,903	1,402	737
Sales - CSC	40	54	1,340	131	133	1,013	322	277	859
Sales - Ottawa	0	(9)	0	18	30	1,673	188	262	1,392
Sales - Tarrow	0	(0)	0	0	(0)	0	18	24	1,313
Sales - Indian Wareh	0	(0)	0	36	52	1,437	36	52	1,433
Sales - Thorville	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Midway	87	79	901	348	316	901	348	316	915
Lbr Trans. to NWH Wash. Loc.	47	71	1,543	205	334	1,588	1,221	1,126	917
Lbr Trans. to NWH Ore. Loc.	63	86	973	179	197	1,014	1,276	1,270	1,027
Total Lumber Sales - MBF	3,701	2,331	629	13,295	8,956	673	59,043	38,355	650
Log Yard Sales									
3rd Party - MBF	2	1	386	5	3	513	33	8	299
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers			0			0			0
NWH WA - MBF	18	6	312	58	16	272	447	176	398
NWH OR - MBF	1,226	603	492	1,917	930	485	1,917	930	485
Total Log Sales - MBF	1,246	610	489	1,981	949	479	2,385	1,117	468
Chip Sales - 3rd Party - BDT	0	(0)	0	9	1	112	95	11	116
Chip Sales - Weyco - BDT	9,112	679	96	29,311	2,801	96	88,334	8,039	91
Total Chip Sales - BDT	9,112	679	96	29,320	2,809	96	86,429	8,050	93
By-Products	2,784	28	10	10,234	130	13	40,845	564	14
Other Services	0	1	0	0	15	0	0	28	0
Total Sales Revenue - MBF	2,71	3,453	994	13,280	13,491	946	99,843	48,133	815
Beg. Inventory - Logs	5,988	2,693	437	4,937	2,209	731	7,722	3,484	931
Purchased Logs - 3rd Party	1,748	833	476	8,347	3,837	467	28,990	12,388	839
Purchased Logs - Weyco	2,367	788	339	6,279	1,868	293	19,508	5,777	288
Tbr Transferred In	0	0	0	906	449	484	1,227	692	450
Logs Transferred In - NWH WA	9	4	443	38	18	433	1,914	906	379
Logs Transferred In - NWH OR	0	0	0	0	0	0	490	188	384
Raw Materials Available	10,112	4,323	419	20,507	8,381	407	57,344	24,135	421
Sawmill Conversion - MBF	2,341	1,013	429	12,181	5,181	429	51,853	20,836	393
Sawmill Conversion - Scribner	3,874	1,613	399	13,234	5,195	386	47,872	20,836	443
3rd Party Sales	3	1	334	9	2	307	30	10	296
Logs Transferred Out - NWH WA	18	6	312	59	16	272	438	169	395
Logs Transferred Out - NWH OR	1,226	603	492	1,917	930	485	1,917	930	485
Ending Inventory - Logs	(7,042)	(2,990)	424	(5,042)	(2,990)	424	(7,042)	(2,990)	424
Timber Company/Mill	0	1	0	0	29	0	0	29	0
Total Net Abt Cost to Loc.	5,078	2,050	404	19,215	8,153	424	52,286	18,994	421
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Loc.	147	599	949	1,438	1,193	809	2,587	2,088	851
Lumber Transfers from Ore. Loc.	47	91	1,893	432	727	831	888	944	874
Custom Services	9	4	0	0	19	0	0	62	0
Total Outside Inventory Lbr	194	774	967	1,870	1,541	813	4,995	3,946	830

EXHIBIT 482 P. 2

WY-CONT-01345

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Variable Costs									
Operating Labor	3,341	239	72	12,161	1,001	82	55,842	4,887	88
Maintenance Labor		91	27		323	26		1,240	22
Payroll Loading		(22)	(7)		338	28		2,102	38
Operating Supplies		48	14		172	14		949	17
Maintenance Supplies		92	28		253	21		1,044	19
Natural Gas		28	11		110	9		382	7
Electricity/Utilities		41	12		133	11		538	10
Rent		1	0		3	1		25	0
Outside Services		93	28		193	16		827	15
Outside Services - Drying		12	3		38	3		131	2
Fee on Lumber		3	1		7	1		37	1
Fee on Chips/By-Prod		28	8		93	8		331	6
Miscellaneous		10	3		32	3		77	1
Total Variable Costs	3,341	675	202	12,161	2,693	221	55,842	12,277	220
Depreciation	3,711	83	25	13,209	299	23	59,043	1,378	24
Taxes		(34)	(9)		3	0		117	2
Other		100	27		319	24		1,231	21
Period Costs	3,711	151	41	13,209	621	48	59,043	2,577	43
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	5,078	3,235	637	4,706	3,126	664	4,667	3,047	653
Ending Inventory Lumber - MBF	(3,215)	(2,643)	685	(3,215)	(2,643)	685	(3,215)	(2,643)	685
Total Cost of Sales	3,711	3,973	818	13,209	10,329	781	59,043	39,766	674
Gross Profit Contribution	3,711	509	154	13,209	2,183	165	59,043	8,358	142
Depreciation	3,711	0	0	13,209	0	0	59,043	0	0
Taxes		10	3		42	3		188	3
Other		0	0		0	0		27	0
Subtotal - Log G&A	3,711	10	3	13,209	50	4	59,043	215	4
Selling Expense Allocation	3,711	41	11	13,209	230	23	59,043	1,992	34
G&A Expense Allocation		25	7		79	6		275	5
Total SG&A Expense	3,711	77	21	13,209	456	35	59,043	2,482	42
Misc Rev/(Exp)	3,711	26	6	13,209	31	2	59,043	84	1
Other Rev/(Exp)	3,711	(191)	(52)	13,209	(700)	(53)	59,043	(2,121)	(36)
Pre-Tax Profit/(Loss)	3,711	366	98	13,209	1,537	116	59,043	5,699	97
Lumber Recovery/Log		0.37			0.91			1.11	
Chips Recovery/Lumber MBF		2.13			2.07			1.55	

EXHIBIT 482 P. 3

WY-CONF-01346

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 1998	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	2,422	2,029	834	8,299	7,064	851	27,984	24,631	880
Pallet - MBF	1,433	378	263	4,822	1,247	259	15,243	3,942	261
Discounts/Claims/Freight		(17)	(3)		(79)	(2)		(149)	(1)
Net 3rd Party Sales - MBF	3,855	2,389	617	13,122	8,232	633	44,228	28,424	643
Intra Division Sales									
Sales - Kenai	0	(5)	0	0	(2)	0	997	814	816
Sales - CSC	30	36	1,217	123	118	963	248	229	922
Sales - Ukiah	9	(0)	0	33	44	1,339	186	254	1,366
Sales - Taiwan	0	(2)	0	0	(0)	0	0	(0)	0
Sales - Baker Warehouse	0	(0)	0	0	1	0	28	33	1,182
Sales - Belgium Warehouse	36	49	1,342	72	97	1,342	344	459	1,339
Sales - Mildred	0	(0)	0	0	(0)	0	203	456	1,123
Sales - Chanute	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Wash. Lor.	2	4	1,869	39	72	923	307	297	968
Lbr Trans. to NWH Ore. Lor.	18	24	1,327	80	59	1,182	332	458	1,159
Total Lumber Sales - MBF	3,931	2,483	631	13,451	8,672	645	46,845	30,828	658
Log Yard Sales									
3rd Party - MBF	337	(28)	(79)	1,847	311	168	1,360	313	230
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers			0			0			0
NWH WA - MBF	0	(0)	0	0	(0)	0	48	10	209
NWH OR - MBF	0	(0)	0	339	139	410	779	326	419
Total Log Sales - MBF	337	(28)	(83)	2,186	450	205	2,187	651	297
Chip Sales - 3rd Party - BDT	0	(0)	0	0	(0)	0	781	84	108
Freight - 3rd Party		(0)	0		(0)	0		(0)	(0)
Chip Sales - Weyco - BDT	6,020	541	90	19,169	1,703	89	82,821	7,436	90
Freight - Weyco		(12)	(2)		(43)	(2)		(150)	(2)
Total Chip Sales - BDT	6,020	529	87	19,169	1,660	87	83,647	7,369	90
By-Products	3,616	34	13	9,589	129	93	39,899	532	84
Freight - By-Products		(0)	(0)		(24)	(2)		(139)	(0)
Other Services		0	0		5	0		55	0
Total Sales Revenue - MBF	3,931	3,011	766	13,451	10,906	811	46,845	39,245	838
Beg. Inventory - Logs	2,976	1,164	391	4,679	1,854	397	9,843	3,898	396
Purchased Logs - 3rd Party	1,206	531	440	4,224	1,821	432	19,972	9,043	453
Purchased Logs - Weyco	2,132	633	297	7,224	1,932	383	23,609	9,128	386
Thr Transferred In	102	129	854	282	130	694	831	375	450
Logs Transferred In - NWH WA	143	69	484	143	69	484	143	69	484
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Raw Materials Available	6,760	2,566	379	16,651	5,885	354	51,598	19,068	369
Sawmill Conversion - MBF	3,649	1,201	329	12,643	2,916	309	45,382	16,991	375
Sawmill Conversion - Scribner	3,383		355	11,398		344	43,888		389
3rd Party Sales	337	112	333	1,847	354	192	1,216	323	265
Logs Transferred Out - NWH WA	0	0	0	0	0	0	48	10	209
Logs Transferred Out - NWH OR	0	0	0	339	163	480	779	280	423
Ending Inventory - Logs	(3,010)	(1,233)	410	(3,010)	(1,233)	410	(3,010)	(1,233)	410
Timber Company/Kai	0	(9)	0	0	(154)	0	0	(154)	0
Total Net A/C Cost to Lor.	3,763	1,084	349	12,584	4,479	338	48,575	17,453	363

EXHIBIT 482 P. 4

WY-CDNP-01321

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 1998	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Produced	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Lor.	282	299	1,037	628	692	1,101	2,820	2,930	1,039
Lumber Transfers from Ore. Lor.	5	9	1,726	41	39	960	152	162	1,068
Custom Services	0	0	0	0	0	0	9	18	0
Total Outside Increasing Lbr	287	308	1,053	669	731	1,092	2,972	3,111	1,047
Variable Costs									
Operating Labor	3,649	277	76	12,643	967	76	45,362	3,703	82
Maintenance Labor		71	19		289	23		1,145	25
Payroll Loading		235	92		787	62		2,728	60
Operating Supplies		36	10		143	11		621	14
Maintenance Supplies		43	12		255	20		930	20
Natural Gas		36	10		88	7		419	9
Electricity&Utilities		34	15		139	11		469	10
Rent		9	2		34	3		105	2
Outside Services		154	28		206	16		684	15
Outside Services - Drying		0	0		0	0		33	1
Freight Lumber		1	0		7	1		25	1
Distributed Expenses		0	0		1	0		7	0
Miscellaneous		0	0		2	0		12	0
Total Variable Costs	3,649	907	249	12,643	2,919	231	45,362	10,441	230
Depreciation	3,931	143	36	12,651	457	36	46,843	1,754	37
Taxes		41	10		73	5		234	5
Other		111	28		170	27		1,402	30
Period Costs	3,931	295	75	12,651	900	67	46,843	3,370	72
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	6,907	4,621	669	6,958	4,864	701	5,315	3,613	680
Ending Inventory Lumber - MBF	(6,813)	(4,719)	693	(6,813)	(4,719)	692	(6,813)	(4,717)	692
Total Cost of Sales	3,951	2,710	689	13,497	9,178	680	46,345	33,473	722
Gross Profit Contribution	3,931	201	77	12,431	1,728	139	46,843	3,760	133
Depreciation	3,931	0	0	12,431	0	0	46,843	0	0
Taxes		13	3		46	3		171	4
Other		0	0		1	0		19	0
Subtotal - Lor. G&A	3,931	13	3	12,431	47	3	46,843	190	4
Selling Expense Allocation	3,931	310	79	12,431	850	68	46,843	1,842	39
G&A Expense Allocation		31	8		84	6		292	6
Total SG&A Expense	3,931	357	91	12,431	981	79	46,843	2,324	50
Misc Rev/(Exp)	3,931	0	0	12,431	(2)	(0)	46,843	186	4
Other Rev/(Exp)	3,931	(1)	(0)	12,431	4	1	46,843	17	0
Pre-Tax Profit/(Loss)	3,931	(157)	(40)	12,431	919	74	46,843	3,637	77
Lumber Recovery/Log		1.08			1.11			1.09	
Chips Recovery/Lumber MBF		1.67			1.81			1.80	

Lor_mill.xls

EXHIBIT 482 P. 5

WY-CONF-01322

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 1999	Week			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,379	2,634	522	10,081	8,326	826	26,408	20,128	823
Pallet - MBF	1,202	277	230	4,476	1,034	231	18,338	4,489	238
Discounts/Claims		(23)	(5)		(55)	(4)		(214)	(8)
Net 3rd Party Sales - MBF	4,581	2,951	650	14,557	9,305	639	55,446	34,412	621
Intra Division Sales									
Sales - Aurora	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CSC	0	(0)	0	42	37	880	305	271	887
Sales - Clarkdale/Tacoma	0	(0)	0	18	24	1,340	176	236	1,340
Sales - Intl Duty Warehouse	18	18	1,007	36	42	1,159	176	232	1,321
Lbr Trans. to NWH Midwest Loc.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Roland Loc.	0	(0)	0	0	(0)	0	337	33	474
Lbr Trans. to NWH Utah Loc.	33	29	880	121	146	1,212	1,359	1,197	881
Lbr Trans. to NWH Ore. Loc.	181	133	827	391	368	940	1,876	933	912
Total Lumber Sales - MBF	4,754	3,131	658	15,165	9,992	659	58,453	37,288	637
Log Yard Sales									
3rd Party - MBF	248	54	217	846	183	218	1,994	442	221
Weyco - MBF	0	(0)	0	0	(0)	0	0	(1)	0
Log Transfers			0			0			0
NWH WA - MBF	0	(0)	0	0	(0)	0	0	(0)	0
NWH OR - MBF	83	33	333	83	22	275	821	292	421
Total Log Sales - MBF	332	86	257	834	195	234	2,815	734	261
Chip Sales - 3rd Party - BDT	(10)	(2)	186	3,933	842	93	2,896	118	94
Freight - 3rd Party		(0)	0		(0)	0		(2)	(2)
Chip Sales - Weyco - BDT	4,991	462	94	14,846	1,386	94	71,960	6,682	93
Freight - Weyco		(33)	(7)		(41)	(3)		(193)	(3)
Total Chip Sales - BDT	4,981	451	91	18,779	2,487	91	75,856	6,681	88
By-Products	3,120	48	16	10,720	167	15	41,969	512	12
Freight - By-Products		(13)	(4)		(36)	(4)		(142)	(3)
Other Services		0	0		2	0		29	0
Total Sales Revenue - MBF	9,954	3,703	779	15,165	11,697	771	58,452	45,202	773
Beg. Inventory - Logs	3,861	1,414	470	3,469	1,645	474	3,828	1,253	444
Purchased Logs - 3rd Party	1,971	574	639	4,920	2,364	533	23,142	17,104	993
Other Handling Costs		(9)	(3)		25	5		93	4
Purchased Logs - Weyco	1,626	633	334	4,981	1,737	348	24,389	8,735	330
Other Handling Costs		0	0		0	0		0	0
Log Transferred In	400	220	550	586	318	542	971	360	536
Log Transferred In - NWH WA	0	0	0	222	137	621	334	210	628
Other Handling Costs		0	0		0	0		0	0
Log Transferred In - NWH OR	0	0	0	0	0	0	41	0	302
Other Handling Costs		0	0		0	0		0	0
Raw Materials Available	6,168	2,850	462	14,211	6,354	450	52,483	22,183	423
Sawmill Conversion - MBF	3,748	1,509	403	(2,951)	4,291	379	51,742	20,081	374
Sawmill Conversion - Scribner	3,210		470	10,595		407	47,107		426
3rd Party Sales	248	54	218	846	217	259	1,941	533	278
Logs Transferred Out - NWH WA	0	0	0	0	0	0	0	0	0
Logs Transferred Out - NWH OR	83	33	395	83	33	395	821	292	434
Ending Inventory - Logs	(2,823)	(1,261)	482	(2,823)	(1,261)	482	(2,823)	(1,261)	482
Timber Conversion/Adj	0	12	0	0	(13)	0	0	(251)	0
Total Net Rbl Cost to Loc.	3,543	1,594	450	11,529	5,116	444	49,722	20,663	416

EXHIBIT 482 P. 6

WY-CONF-01297

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Loc.	65	73	1,124	389	435 -	1,063	3,103	3,134	1,009
Freight from Wash. Loc.		2	26		5	14		20	10
Lumber Transfers fom Ore. Loc.	8	12	1,519	60	40	667	2,172	1,512	696
Freight from Ore. Loc.		0	0		11	29		44	20
Custom Services		0	0		0	0		0	0
Total Outside Incoming Lbr	72	87	1,183	999	829	847	5,275	4,729	898
Variable Costs									
Operating Labor	2,768	289	99	12,971	1,028	80	52,742	4,234	79
Maintenance Labor		92	27		296	23		1,099	22
Payroll Loading		236	63		673	52		2,377	44
Operating Supplies		48	11		179	13		722	13
Maintenance Supplies		72	19		183	14		882	16
Natural Gas		47	13		116	9		367	7
Electricity/Utilities		59	15		142	11		581	10
Rent		10	3		18	1		77	1
Outside Services		25	6		61	5		294	5
Outside Services - Drying		0	0		0	0		0	0
Fee on Lumber		2	1		5	0		10	0
Distributed Expenses		0	0		0	1		33	0
Miscellaneous		9	2		27	2		80	1
Total Variable Costs	2,768	871	283	12,971	2,720	211	52,742	10,808	205
Depreciation	4,754	144	30	15,165	465	31	58,652	1,980	34
Taxes		13	3		43	3		184	3
Other		91	19		326	21		1,299	22
Period Costs	4,754	248	52	15,165	827	55	58,652	3,456	59
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	8,044	6,301	783	8,674	6,890	723	6,913	4,715	682
Ending Inventory Lumber - MBF	(7,171)	(5,509)	768	(7,171)	(5,509)	768	(7,171)	(5,509)	768
Total Cost of Sales	4,754	3,793	714	16,165	11,698	665	58,652	38,937	664
Gross Profit Contribution	4,754	310	65	15,165	1,807	106	58,652	6,265	107
Depreciation	4,754	0	0	15,165	0	0	58,652	0	0
Taxes		10	2		49	3		192	3
Other		0	0		1	0		3	0
Subtotal - Loc. G&A	4,754	10	2	15,165	50	3	58,652	195	3
Selling Expense Allocation	4,754	103	22	15,165	534	35	58,652	2,067	35
G&A Expense Allocation		25	5		80	5		308	5
Total SG&A Expense	4,754	298	63	15,165	664	44	58,652	2,569	44
Misc Rev/(Exp)	4,754	1	0	15,165	7	0	58,652	15	0
Other Rev/(Exp)	4,754	(2)	(0)	15,165	(5)	(0)	58,652	64	1
Pre-Tax Profit/(Loss)	4,754	103	22	15,165	938	62	58,652	3,783	64
Lumber Recovery/Log		0.39			0.38			0.34	
Chips Recovery/Lumber MBF		0.22			0.29			0.41	

Lbr_rollups

EXHIBIT 482 P. 7

WY-CONF-01298

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 2000	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
London - MBF	2,734	2,387	873	9,078	7,755	854	34,360	29,472	858
Palco - MBF	1,834	448	228	6,187	1,438	232	22,153	5,109	231
Discounts/Claims		(23)	(5)		(72)	(5)		(249)	(11)
Net 3rd Party Sales - MBF	4,568	2,787	609	15,185	9,098	599	57,891	34,348	603
Inter Division Sales									
Sales - Remco	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CSC	20	26	1,294	81	97	1,203	321	385	930
Sales - Otsego/Tahoe	18	28	1,543	53	78	1,457	230	328	1,423
Sales - Hdl/Daly Warehouse	0	(0)	0	0	(0)	0	143	190	1,330
Lbr Trans. to NWH Hideaway Lac.	0	(0)	0	0	(0)	0	43	72	1,673
Lbr Trans. to NWH Acland Lac.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Wash. Lac.	40	38	959	535	533	1,004	2,984	2,964	993
Lbr Trans. to NWH Ore. Lac.	190	193	1,019	390	418	1,072	2,611	1,996	993
Total Lumber Sales - MBF	4,836	2,867	636	16,248	10,223	629	62,832	39,854	634
Log Trade Sales									
3rd Party - MBF	0	(0)	0	0	(17)	0	3,023	714	236
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers			0			0			0
NWH WA - MBF	0	(0)	0	0	(0)	0	0	(0)	0
NWH OR - MBF	0	(0)	0	147	57	403	653	345	526
Total Log Sales - MBF	0	(0)	0	147	57	387	3,681	1,057	287
Chip Sales - 3rd Party - BDT	510	50	98	647	64	98	2,905	281	96
Freight - 3rd Party		(4)	(7)		(4)	(7)		(9)	(99)
Chip Sales - Weyco - BDT	3,838	356	93	12,896	1,192	93	52,688	4,926	93
Freight - Weyco		(11)	(3)		(39)	(3)		(141)	(3)
Chip Sales - PFP - BDT	0	(0)	0	0	(0)	0	6,381	594	93
Freight - PFP		(0)	0		(0)	0		(0)	0
Total Chip Sales - BDT	4,348	392	90	13,492	1,256	93	61,974	5,812	94
By-Products	2,833	65	23	9,330	154	16	39,646	887	22
Freight - By-Products		(10)	(4)		(34)	(4)		(139)	(3)
Other Services		0	0		2	0		10	0
Total Sales Revenue - MBF	4,836	3,454	714	16,348	11,466	714	67,832	48,579	748
Beg. Inventory - Logs	2,199	1,599	727	3,341	2,343	522	2,625	1,963	482
Purchased Logs - 3rd Party	2,191	1,350	616	7,580	4,436	394	27,481	15,461	563
Other Handling Costs		7	3		0	0		44	2
Purchased Logs - Weyco	1,128	527	467	3,676	1,536	432	14,431	6,624	459
Other Handling Costs		8	8		0	0		0	0
Log Transferred In	75	48	636	75	48	635	253	179	710
Logs Transferred In - NWH WA	0	0	0	0	0	0	1,729	920	532
Other Handling Costs		0	0		0	0		128	63
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Raw Materials Available	6,173	3,481	564	13,943	7,397	545	48,635	24,604	506
Sawmill Conversion - MBF	4,801	1,643	411	12,827	5,499	394	35,383	21,103	597
Sawmill Conversion - Softwood	2,981		588	10,210		538	31,767		570
3rd Party Sales	0	0	0	0	0	0	3,023	712	235
Logs Transferred Out - NWH WA	0	0	0	0	0	0	0	0	0
Logs Transferred Out - NWH OR	0	0	0	642	57	403	653	345	526
Ending Inventory - Logs	(2,199)	(1,561)	577	(3,189)	(1,861)	577	(3,189)	(1,861)	577
Total Net Rm. Cost to Lbr.	3,983	1,643	980	10,357	3,549	526	15,448	22,763	501

EXHIBIT 482 P. 8

WY-CONF-01273

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 2000	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Lac.	183	288	1,106	630	715	1,162	2,096	2,264	1,080
Freight from Wash. Lac.		1	5		4	6		14	7
Lumber Transfers from Ore. Lac.	113	156	733	816	607	744	3,668	2,796	731
Freight from Ore. Lac.		0	32		23	28		81	22
Custom Services		0	0		0	0		0	0
Total Outside Incoming Lbr	346	336	964	1,466	1,389	947	5,764	5,963	778
Chip Costs - PEP	0	0	0	0	0	0	6,331	609	97
Variable Costs									
Operating Labor	4,981	291	73	13,927	956	72	55,283	4,128	75
Maintenance Labor		83	21		283	20		1,071	19
Payroll Loading		233	53		854	58		2,746	50
Operating Supplies		49	12		186	13		703	14
Maintenance Supplies		83	20		238	17		882	16
Natural Gas		36	9		97	7		362	7
Electricity/Utilities		62	15		185	13		584	12
Rent		11	3		33	3		149	3
Outside Services		34	8		52	4		203	4
Outside Services - Drying		9	0		0	0		0	0
Fill or Lumber		0	0		0	0		3	0
Distributed Expenses		0	0		0	0		(10)	(0)
Miscellaneous		(0)	(0)		1	0		27	0
Total Variable Costs	4,981	971	243	13,927	3,887	269	55,283	10,849	193
Depreciation	4,826	303	63	16,248	1,020	63	65,832	1,910	29
Taxes		9	2		29	2		133	2
Other		129	27		365	22		1,289	20
Period Costs	4,826	441	91	16,248	914	56	65,832	3,336	51
Mad Date Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	2,916	2,692	923	4,541	3,674	809	7,176	5,689	793
Ending Inventory Lumber - MBF	(3,479)	(4,998)	909	(3,479)	(4,998)	909	(3,479)	(4,998)	909
Total Cost of Sales	4,826	3,494	724	16,248	10,931	673	65,832	43,256	657
Gross Profit Contribution	4,826	0	0	16,248	670	42	65,832	3,729	57
Depreciation	4,826	0	0	16,248	0	0	65,832	0	0
Taxes		15	3		49	3		190	3
Other		0	0		0	0		0	0
Interest - Lac. G&A	4,826	15	3	16,248	49	3	65,832	190	3
Selling Expense Allocation	4,826	83	18	16,248	227	15	65,832	948	15
G&A Expense Allocation		0	0		0	0		0	0
Total SG&A Expense	4,826	100	21	16,248	286	18	65,832	1,138	18
Misc Rent/(Exp)	4,826	0	0	16,248	5	0	65,832	23	0
Other Acct/Exp	4,826	(2)	(0)	16,248	157	10	65,832	226	3
Pre-Tax Profit/Loss	4,826	(102)	(21)	16,248	531	34	65,832	2,343	40
Lumber Recovery/Logs		5.33			5.34			5.33	
Chips Recovery/Lumber MBF		0.68			0.97			1.00	

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 2001	Month			Quarter To Date			Year To Date		
1/9/2002 15:19	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	2,029	1,755,306	865	7,918	6,689,001	844	33,794	27,583,267	816
Pallet - MBF	1,505	361,336	240	4,991	1,133,075	227	22,930	5,068,100	221
Discounts/Claims		(14,455)	(4)		(34,367)	(5)		(217,412)	(9)
Net 3rd Party Sales - MBF	3,534	2,101,588	595	12,909	7,788,708	603	56,723	32,435,965	572
Intra Division Sales									
Sales - Roman	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - CSC	0	(0.000)	0	20	20,352	1,005	253	244,653	969
Sales - Okmee/Tijeras	0	(0.000)	0	20	27,373	1,375	143	192,832	1,352
Sales - Oak/Delq Warehouse	0	(0.000)	0	18	23,081	1,318	36	44,572	1,249
Lbr Trans. to NWH Midwest Loc.	9	8,581	939	30	34,587	1,156	73	95,569	1,308
Lbr Trans. to NWH Retail Loc.	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Work. Loc.	18	26,772	705	171	181,677	1,118	1,950	1,882,861	966
Lbr Trans. to NWH Ore. Loc.	121	36,349	1,127	478	508,510	1,067	1,759	1,647,575	937
Total Lumber Sales - MBF	3,702	2,234,296	604	13,646	8,556,212	627	58,946	36,529,831	620
Log Yard Sales									
3rd Party - MBF	65	11,430	178	99	16,646	168	102	17,673	173
Weyco - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
			0			0			0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
NWH OR - MBF	193	49,102	254	193	49,102	254	313	91,966	293
Total Log Sales - MBF	258	60,531	235	292	65,747	225	415	102,639	247
Chip Sales - 3rd Party - BDT	2,021	157,411	78	4,321	330,528	76	12,709	1,091,310	86
Freight - 3rd Party		(13,531)	(7)		(28,051)	(6)		(80,049)	(6)
Chip Sales - Weyco - BDT	667	44,503	67	1,028	420,232	91	34,699	2,798,663	81
Freight - Weyco		(1,340)	(2)		(15,671)	(3)		(99,991)	(3)
Chip Sales - PFP - BDT	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Freight - PFP		(0.000)	0		(0.000)	0		(0.000)	0
Total Chip Sales - BDT	2,688	188,644	70	10,347	707,437	68	47,208	3,726,934	79
By-Products	2,511	36,257	14	8,491	128,160	15	36,644	555,287	15
Freight - By-Products		(7,500)	(3)		(23,356)	(3)		(170,619)	(5)
Other Services		0.519	0		0.796	0		2,798	0
Total Sales Revenue - MBF	3,702	2,513,626	690	13,646	9,421,978	691	58,946	40,806,670	692
Beg. Inventory - Logs	2,219	942,599	424	1,521	675,795	444	3,189	1,841,510	577
Purchased Logs - 3rd Party	1,385	919,247	664	4,661	3,329,629	699	23,234	13,432,999	537
Other Handling Costs		0.000	0		0.000	0		4,875	0
Purchased Logs - Weyco	1,021	322,843	316	2,579	918,202	388	11,336	4,034,691	356
Other Handling Costs		0.000	0		0.000	0		46,346	4
Tfr Transferred In	0	0.000	0	0	0.000	0	236	115,626	535
Logs Transferred In - NWH WA	2	1,756	585	926	437,682	473	1,249	549,852	436
Other Handling Costs		0.000	0		30,967	34		30,759	29
Logs Transferred In - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Raw Materials Available	4,660	2,002,642	429	10,090	4,391,474	435	39,026	19,111,319	490
Sawmill Conversion - MBF	3,698	981,511	265	11,486	3,269,983	285	52,185	14,838,371	284
Sawmill Conversion - Scribner	2,187		443	7,570		445	36,383		406
3rd Party Sales	65	10,279	158	99	15,739	159	102	16,473	161
Logs Transferred Out - NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred Out - NWH OR	193	49,102	254	193	49,102	254	313	94,966	303
Ending Inventory - Logs	(2,222)	(794,530)	433	(2,222)	(794,530)	433	(2,222)	(794,530)	433
Total Net RM Cost to Loc.	7,445	1,349,893	426	7,862	3,475,974	436	36,798	15,169,749	493

EXHIBIT 482 P. 10

Longview - Mill Summary Results

Northwest Hardwoods - Longview

($000)

December 2001	March			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Wash. Loc.	42	83.112	2,026	481	637.319	1,325	3,032	3,674.727	1,212
Freight from Wash. Loc.		1.288	31		3.593	7		20.382	7
Lumber Transfers from Ore. Loc.	71	72.700	1,103	340	380.867	1,118	1,716	1,200.103	1,075
Freight from Ore. Loc.		0.532	8		2.527	7		14.187	13
Custom Services		0.000	0		0.000	0		0.000	0
Total Outside Inventory Use	113	160.632	1,446	931	1,023.489	1,247	4,748	4,909.402	1,184
Chip Costs - FFP	0	0.000	0	0	0.000	0	0	0.000	0
Variable Costs									
Operating Labor	3,493	224.684	64	11,486	702.289	61	55,183	3,570.007	65
Maintenance Labor		74.500	21		252.301	22		1,053.103	19
Payroll Loading		11.718	3		279.480	24		2,016.909	37
Operating Supplies		25.016	7		119.897	10		603.792	11
Maintenance Supplies		28.103	8		139.372	12		698.233	12
Natural Gas		68.229	20		155.677	14		783.349	14
Electricity/Utilities		86.585	25		217.914	19		698.830	13
Rent		9.420	3		31.823	3		125.110	2
Outside Services		7.379	2		48.870	4		221.394	4
Outside Services - Drying		0.000	0		0.000	0		0.000	0
Fee on Lumber		0.000	0		0.195	0		0.640	0
Distributed Expenses		0.000	0		0.000	0		0.000	0
Miscellaneous		0.458	0		2.225	0		10.850	1
Total Variable Costs	3,493	536.036	153	11,486	2,029.962	177	55,183	9,763.595	177
Depreciation	3,702	147.185	40	13,646	484.394	35	58,946	1,939.420	33
Taxes		21.423	6		69.626	5		245.645	4
Other		89.410	24		292.865	21		1,299.641	21
Period Costs	3,702	258.018	70	13,646	846.883	62	58,946	3,434.707	58
Bad Debt Expense	1	0.000	0	0	0.000	0	0	0.000	0
Beg. Inventory Lumber - MBF	5,896	4,634.431	794	7,161	5,683.914	794	5,479	4,978.189	909
Ending Inventory Lumber - MBF	(5,899)	(4,595.183)	791	(5,899)	(4,595.183)	791	(5,899)	(4,595.183)	791
Total Cost of Sales	3,700	2,890.711	963	13,646	8,418.909	617	58,946	36,630.288	622
Gross Profit Contribution	3,702	462.315	125	13,646	1,013.980	74	58,946	4,156.482	71
Depreciation	3,702	0.000	0	13,646	0.000	0	58,946	0.000	0
Taxes		11.073	3		42.736	3		177.730	3
Other		0.133	0		0.155	0		0.534	0
Subtotal - Loc. G&A	3,702	11.038	3	13,646	42.891	3	58,946	178.264	3
Selling Expense Allocation	3,702	0.000	0	13,646	0.000	0	58,946	0.000	0
G&A Expense Allocation		0.000	0		0.000	0		0.000	0
Total SG&A Expense	3,702	11.038	3	13,646	42.891	3	58,946	178.264	3
Misc Rev/(Exp)	3,702	2.488	1	13,646	(1.522)	(0)	58,946	16.253	0
Other Rev/(Exp)	3,702	7.170	1	13,646	(2.307)	(0)	58,946	(13.610)	(0)
Pre-Tax Profit/(Loss)	3,702	454.942	123	13,646	967.260	71	58,946	3,981.958	68
Lumber Recovery/Logs		1.60			1.52			1.52	
Chips Recovery/Lumber MBF		0.77			0.90			0.86	
Timber Prod/(Loss)		(5.000)			(0.000)			23.000	
Hours		454.942			967.260			4,004.896	
Difference		(0.000)			(0.000)			(0.000)	

EXHIBIT 482 P. 11

Delta US- Mill Summary Results

Northwest Hardwoods - Delta, BC -US

($000)

December 2007	Month			Quarter-To-Date			Year-To-Date		
10/2002 15:31	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,006	1,320,722	1,315	5,112	4,144,978	788	17,146	12,628,089	737
Pulp - MBF	819	150,871	185	3,667	641,956	183	17,094	3,145,956	184
Discounts/Claims		(7,530)	(4)		(28,329)	(3)		(102,784)	(3)
Net 3rd Party Sales - MBF	1,862	1,471,663	790	8,779	4,758,645	542	34,340	15,671,677	456
Intra Division Sales									
Sales - CSC	0	(0.000)	0	63	97,924	1,412	86	115,457	1,341
Sales - Ocean/Taiwan	17	25,847	1,533	17	23,847	1,535	34	53,457	1,570
Sales - India/Belgium	0	(0.000)	0	19	25,086	1,334	19	25,086	1,334
Sales to NWH Wash. Loc.	158	152,446	965	333	288,343	1,046	4,830	3,740,040	774
Sales to NWH Delta CAN Loc.	66	24,437	1,439	84	115,548	1,370	124	161,826	1,309
Total Lumber Sales - MBF	2,054	1,674,393	815	9,213	5,269,193	572	39,353	19,767,725	540
Chip Sales - 3rd Party - BDT	3,246	244,063	75	7,696	585,962	76	32,913	2,311,346	71
Freight - 3rd Party		(40,114)	(12)		(65,259)	(8)		(65,259)	(2)
Chip Sales - Weyco - BDT	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Freight - Weyco		(0.000)	0		(0.000)	0		(0.000)	0
Total Chip Sales - BDT	3,246	203,954	63	7,696	520,703	68	32,913	2,245,886	69
Total Sales Revenue - MBF	2,054	1,878,347	915	9,213	5,789,896	628	39,353	22,013,649	560
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Wash Loc.	66	24,437	1,499	84	111,548	1,330	120	156,978	1,304
Freight from Wash Loc.		0.000	0		0.522	7		1.166	10
Lumber Transfers from Ore Loc.	0	0.000	0	0	0.000	0	3	4.845	1,615
Freight from Ore Loc		0.000	0		0.000	0		0.000	0
Lumber Transfers from Delta-CAN Loc.	1,108	1,672,534	506	9,129	5,146,623	564	39,219	19,587,393	499
Freight from Delta-CAN Loc.		0.000	0		0.000	0		0.000	0
Canusa Sawyers		0.000	0		0.000	0		0.000	0
Total Outside Inventory Lbr	3,335	1,696,971	510	9,213	5,262,733	571	39,343	19,745,387	502
Chip Transfer from Delta-Can - BDT	3,246	203,954	63	7,696	520,703	68	32,913	2,245,886	69
Taxes	2,054	0.000	0	9,213	0.000	0	39,353	0.000	0
Other - MF		0.000	0		0.000	0		0.000	0
Other - Reserve		0.000	0		0.000	0		0.000	0
Period Cost	2,054	0.000	0	9,213	0.000	0	39,353	0.000	0
Gross Profit Contribution	2,054	(22,578)	(11)	9,213	4,463	1	39,353	22,395	1
Depreciation	2,054	0.000	0	9,213	0.000	0	39,353	0.000	0
Taxes		0.000	0		0.000	0		1.415	0
Other		0.000	0		0.000	0		0.000	0
Total SG&A Expense	2,054	0.000	0	9,213	0.000	0	39,353	1,415	0
Commission Fee	2,054	41,300	22	9,213	147,190	16	39,225	188,422	13
Misc Rev/(Exp)		(0.000)	(0)		(0.000)	(0)		(1.423)	(0)
Other Rev/(Exp)		(1.212)	(1)		(3.637)	(0)		(11.350)	(0)
Pre-Tax Pro(Of)Loss	2,054	21,510	10	9,213	149,973	16	39,353	597,968	15
Lumber Recovery/Loss		0.00			0.00			0.00	
Chips Recovery/Lumber MBF		0.00			0.00			0.00	
Timber Profit/Loss		-			-			-	
Books		21,510			149,973			597,968	
Difference		0.000			0.000			0.000	

EXHIBIT 482 P. 12

Delta Can- Mill Summary Results

Northwest Hardwoods - Delta, BC -Canada

($000)

December 2002	Month			Quarter-To-Date			Year-To-Date		
1/8/2003 15:51	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Sales to NWH Delta US Loc.	3,388	1,689.552	511	9,129	5,190.038	569	39,224	19,544.297	498
Total Lumber Sales - MBF	3,388	1,689.552	511	9,129	5,190.038	569	39,224	19,544.297	498
Log Yard Sales									
3rd Party - MBF	0	(0.000)	0	3	0.439	172	277	67.263	243
Weyco - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
NWH Delta US - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Total Log Sales - MBF	0	(0.000)	0	3	0.439	172	277	67.263	243
Chip Sales - to Delta US- BDT	3,246	264.058	75	8,662	583.962	68	33,681	2,311.174	69
Freight - to Delta US		(40.114)	(13)		(105.582)	(12)		(405.582)	(9)
Chip Sales - Weyco - BDT	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Freight - Weyco		(0.000)	0		(0.000)	0		(0.000)	0
Total Chip Sales - BDT	3,246	203.954	63	8,662	482.440	56	33,681	2,205.672	65
By-Product	1,470	4.184	3	1,470	4.184	3	1,470	4.184	3
Freight - By-Product		(0.000)	(0)		(0.000)	(0)		(0.000)	(0)
Other Services		(0.000)	0		(0.000)	0		(0.000)	0
Total Sales Revenue - MBF	3,388	1,897.690	574	9,129	5,675.129	622	39,224	21,821.416	556
Beg. Inventory - Logs	7,168	2,304.830	303	3,018	890.840	295	2,022	504.894	248
Purchased Logs - 3rd Party	1,364	442.829	283	8,707	2,558.220	294	22,474	6,347.606	282
Other Handling Costs		50.617	32		164.233	19		600.227	27
Purchased Logs - Weyco	843	234.851	283	2,352	661.925	281	9,847	2,778.334	282
Other Handling Costs		32.034	38		39.586	17		183.273	19
Hr Transferred In	415	125.010	309	701	213.178	303	6,741	1,669.401	248
Raw Materials Available	9,990	3,097.110	310	14,780	4,527.991	306	40,580	11,885.814	293
Sawmill Conversion - MBF	2,759	654.730	237	8,519	2,162.512	254	46,158	9,868.544	214
Sawmill Conversion - Software	2,871		316	6,345		312	32,322		281
3rd Party Sales	0	0.000	0	3	0.363	143	277	62.337	225
Logs Transferred Out - NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred Out - NWH Delta US	0	0.000	0	0	0.000	0	0	0.000	0
End. Inventory - Logs	(7,967)	(2,385.090)	299	(7,967)	(2,385.090)	299	(7,967)	(2,385.090)	299
Total Net RM Cost to Loc.	2,023	712.050	352	6,814	2,142.904	315	32,613	9,508.734	291
Boomsticks/Stray Gear Costs		10.581			101.472			105.910	
Beg. Inventory - Boomsticks/Gear - MBF	875	368.874	421	1,570	358.634	228	674	368.174	813
End. Inventory - Boomsticks/Gear - MBF	(1,037)	(412.788)	397	(1,037)	(412.788)	397	(1,037)	(412.788)	397
Total Boomsticks/Gear	0	(12.833)	0	0	47.319	0	0	241.796	0
Total RM & Boomstick/Gear Cost	2,023	699.265	346	6,814	2,190.723	322	32,613	9,749.530	299

Delta Can- Mill Summary Results

Northwest Hardwoods - Delta, BC -Canada

($000)

December 2001	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Delta-US Loc.	16	25.934	1,517	84	118.938	1,371	108	121.217	1,063
Freight from Delta-US Loc.		0.000	0		0.000	0		0.000	0
Custom Services	0	0.000	0	0	0.000	0	0	0.000	0
Total Outside Increasing Lbr	16	25.934	1,591	84	118.938	1,410	108	121.317	1,118
Variable Costs									
Operating Labor	2,759	149.252	54	8,519	563.301	66	48,150	2,718,246	68
Maintenance Labor		56.555	20		193.195	23		798,739	20
Payroll Loading		51.898	19		265.017	31		1,480,810	37
Operating Supplies		72.161	26		167.528	20		759,615	19
Maintenance Supplies		45.264	16		119.147	14		653,451	16
Natural Gas		2.954	1		94.305	11		469,384	12
Electricity/Utilities		31.710	11		84.759	10		482,302	10
Rent		13.188	6		46.264	5		177,953	4
Outside Services		48.250	17		119.405	14		534,035	13
Outside Services - Drying	0	0.000	0	0	0.000	0	0	0.000	0
Fee on Lumber		1.506	1		11.523	3		68,159	2
Distributed Expenses		(71.489)	(26)		(31.431)	(4)		(31,431)	(1)
Miscellaneous		8.533	3		11.466	1		104,513	3
Total Variable Costs	2,759	413.806	150	8,519	1,434.537	192	48,150	8,955,475	202
Depreciation	3,308	66.646	20	9,129	219.607	24	68,416	897,363	49
Taxes		(16.025)	(5)		13.545	1		122,932	3
Stores Adjustment		29.213	9		74.238	9		348,707	8
Other - Mill		173.600	57		383.833	42		1,361,804	35
Other - Resource		21.526	6		68.249	7		291,333	7
Period Costs	3,308	233.331	67	9,129	746.458	82	68,416	3,041,558	145
Beg Inv Chips - BDT	1,025	51.830	51	768	43.634	56	750	76,909	102
End Inv Chips - BDT	(995)	(53.102)	54	(768)	(53.165)	92	(300)	(15,188)	50
Beg Inv Lumber - MBF	3,964	2,742.643	687	4,742	3,148.699	663	3,422	1,799,610	526
End Inv Lumber - MBF	(3,974)	(2,426.595)	611	(3,974)	(2,426.595)	611	(3,974)	(2,426,595)	611
Total Cost of Sales	3,309	1,713.333	518	9,129	5,431.450	595	39,224	10,436,159	530
Gross Profit Contribution	3,308	184.268	56	9,129	249.630	27	39,224	1,345,257	35
Depreciation	3,308	0.000	0	9,129	0.000	0	39,224	0.000	0
Taxes		0.000	0		0.000	0		0.000	0
Other		0.000	0		0.000	0		0.000	0
Total SG&A Expenses	3,308	0.000	0	9,129	0.000	0	39,224	0.000	0
Stock Rate - Inventories Rev/(Exp)	0	39.351	0	0	21.978	0	0	103,660	0
Commission Fee	0	(41.842)	0	0	(143.270)	0	0	(509,310)	0
Misc Rev/(Exp)	3,308	(2.431)	(1)	9,129	1.834	0	39,224	3,585	0
Other Rev/(Exp)	3,308	397.564	120	9,129	398.077	44	39,224	410,844	10
Pre-Tax Profit/(Loss)	3,308	613.828	185	9,129	510.249	57	39,224	1,390,810	35
Lumber Recovery/Logs		1.33			1.26			1.24	
Chips Recovery/Lumber MBF		1.18			1.07			0.84	
Timber Profit/Loss		(54.902)			(248.681)			(334,930)	
Ratios		558.710			271.698			1,955,880	
Difference		0.000			(0.002)			(0.000)	

EXHIBIT 482 P. 14

Delta Combined- Mill Summary Results

Northwest Hardwoods - Delta, BC -Combined

($000)

December 2001	Month			Quarter-To-Date			Year-To-Date		
UNIBOL15.31	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,884	1,310,322	1,315	5,312	4,144,978	780	17,146	13,038,005	737
Pallet - MBF	819	158,871	185	3,467	641,996	185	17,094	3,149,956	184
Discounts/Claims		(7,539)	(4)		(28,339)	(3)		(101,241)	(5)
Net 3rd Party Sales - MBF	1,682	1,471,652	799	8,779	4,758,645	542	34,240	15,671,677	458
Intra Division Sales									
Sales - CSC	0	(0.000)	0	41	57,524	1,412	86	111,437	1,345
Sales - Okawa/Taiwa	17	25,847	1,535	17	25,847	1,535	34	53,637	1,558
Sales - Indian/Belgium	0	(0.000)	0	19	25,886	1,354	19	25,886	1,354
Sales to NWH Work. Loc.	158	152,446	961	273	286,143	1,046	4,830	3,743,040	774
Total Lumber Sales - MBF	2,057	1,649,950	810	9,123	5,153,645	565	39,209	19,626,897	500
Log Yard Sales									
3rd Party - MBF	0	(0.000)	0	3	0,439	172	277	67,243	243
Wynn - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Total Log Sales - MBF	0	(0.000)	0	3	0,439	172	277	67,243	243
Chip Sales - 3rd Party - BDT	3,248	244,068	75	7,696	583,962	76	32,713	2,311,374	71
Freight - 3rd Party		(40,314)	(12)		(195,502)	(14)		(195,502)	(3)
Chip Sales - Wynn - BDT	0	0.000	0	0	0.000	0	0	0.000	0
Freight - Wynn		4,184	0		4,184	0		4,184	0
Total Chip Sales - BDT	3,246	208,138	63	7,636	484,643	62	32,713	2,309,896	67
By-Products	1,470	4,184	3	1,470	4,184	3	1,470	4,184	3
Freight - By-Products		(0.000)	(0)		(0.000)	(0)		(0.000)	(0)
Other Services		(0.000)	0		(0.000)	0		(0.000)	0
Total Sales Revenue - MBF	2,837	1,861,277	934	9,139	5,643,911	618	89,109	21,887,199	556
Beg. Inventory - Logs	7,168	2,364,856	788	3,913	890,840	295	2,822	501,894	248
Purchased Logs - 3rd Party	1,504	442,829	283	8,707	2,578,228	294	22,674	6,347,696	282
Other Handling Costs		50,580	32		163,342	19		599,585	27
Purchased Logs - Wynn	845	230,851	283	2,332	661,923	281	9,842	2,774,324	282
Other Handling Costs		32,148	38		39,534	17		182,711	19
To Transformed In	413	128,019	309	703	219,175	303	6,241	1,469,421	235
Raw Materials Available	9,590	3,997,188	319	14,788	4,527,219	306	48,580	11,885,080	293
Sawmill Conversion - MBF	2,739	654,730	237	8,519	2,102,512	247	40,150	9,008,344	224
Sawmill Conversion - Surfaces	2,071		316	6,343		312	32,322		281
3rd Party Sales	0	0.000	0	3	0,343	143	277	62,337	225
Logs Transferred Out - NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
End. Inventory - Logs	(7,967)	(2,385,090)	299	(7,967)	(2,385,090)	299	(7,967)	(2,385,090)	299
Total Net RM Cost to Loc.	2,833	712,098	252	6,814	2,142,169	314	32,613	9,499,590	291
Boomsticks/Boom Gear Costs		10,581	0		101,473	0		101,918	0
Beg. Inventory - Boomsticks/Gear - MBF	875	368,874	421	1,978	918,634	228	674	548,174	813
End. Inventory - Boomsticks/Gear - MBF	(1,837)	(412,288)	397	(1,837)	(412,288)	397	(1,837)	(412,288)	397
Total Boomsticks/Gear	0	(32,833)	0	0	47,819	0	0	241,796	0
Total RM & Boomstick/Gear Cost	2,833	679,266	240	6,814	2,189,988	321	32,613	9,741,786	299

EXHIBIT 482 P. 15

WY-CONF-01751

Del_Comb millsumS

Delta Combined- Mill Summary Results

Northwest Hardwoods - Delta, BC -Combined

($000)

December 2001	Month			Quarter To-Date			Year To-Date		
	Volume	$000's	Average $	Volume	$000's	Average $	Volume	$000's	Average $
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
[illegible] Wash. Log	16	24.427	1,699	84	115.548	1,370	124	161.836	1,309
[illegible] Wash. Log		0.081	5		0.863	5		3.247	19
[illegible] Inside Differences		(10.875)	0		(35.038)	0		3.262	0
Total Outside Processing Lbr	16	13.642	827	84	81.173	962	124	166.335	1,345
Variable Costs									
Operating Labor	2,709	149.252	54	8,519	563.702	66	48,150	2,773.244	62
Maintenance Labor		54.295	20		193.195	23		796.229	20
Payroll Loading		51.898	19		263.017	31		1,480.810	37
Operating Supplies		72.193	26		167.338	20		759.013	19
Maintenance Supplies		43.258	0		119.147	0		633.431	0
Natural Gas		2.554	1		94.305	11		469.304	12
Electricity/Utilities		31.370	11		84.759	10		402.382	10
Rent		17.180	6		46.264	5		177.952	4
Outside Services		48.258	17		159.403	14		516.935	13
Outside Services - Drying	0	0.000	0	0	0.000	0	0	0.000	0
Pre on Lumber		1.506	1		21.523	3		68.259	2
Distribution Expenses		(71.488)	(26)		(91.431)	(11)		(31.431)	(1)
Miscellaneous		8.575	3		11.466	1		104.513	3
Total Variable Costs	2,709	415.856	150	8,519	1,624.737	192	48,150	8,099.871	202
Depreciation	3,208	66.446	20	9,129	213.667	24	39,234	897.263	23
Taxes		(16.671)	(5)		13.545	1		122.922	3
Sawn Adjustment		21.213	8		74.226	9		168.797	0
Other - MU		123.600	37		382.831	42		1,361 824	35
Other - Revenue		20.126	6		60.249	7		251.233	7
Period Costs	3,208	222.331	67	9,129	744.458	82	39,234	2,841.728	73
Beg Inv Chips - MDF	1,259	51.850	41	988	41.634	34	930	34.909	189
End Inv Chips - MDF	(988)	(13.988)	20	(930)	(13.988)	30	(988)	(13.988)	30
Beg Inv Lumber - MDF	3,994	2,741.643	687	4,742	3,143.699	662	3,422	1,799 410	526
End Inv Lumber - MDF	(3,974)	(2,426.595)	611	(3,974)	(2,426.595)	611	(3,974)	(2,426.595)	611
Total Cost of Sales	3,207	3,793.941	496	9,129	5,393.991	591	39,259	31,684.543	525
Gross Profit Contribution	2,337	161.231	79	8,129	349.529	23	39,259	1,486.857	36
Depreciation	2,037	0.000	0	9,298	0.000	0	39,436	0.000	0
Taxes		0.000	0		0.000	0		0.415	0
Other		0.000	0		0.000	0		0.000	0
Total SG&A Expense	2,037	0.000	0	9,298	0.000	0	39,436	1.415	0
Exch Rate - Inventories Rev/(Exp)	0	79.351	0	0	21.073	0	0	180.000	0
Misc Rev/(Exp)	3,308	(2.413)	(1)	9,129	1.834	0	39,234	3.285	4
Other Rev/(Exp)	3,308	196.357	132	9,129	394.648	43	39,234	389.491	10
Pre Tax Profit/(Loss)	2,037	434.520	311	9,298	668.172	72	39,436	1,988.778	50
Lumber Recovery/Log		1.57			1.56			1.54	
Chips Recovery/Lumber MDF		1.10			1.01			0.81	
Timber Profit/Loss		(54.502)			(160.551)			(334.331)	
Ratio's		579.028			427.621			1,652.845	
BF/Tonnes		(0.000)			0.000			(0.000)	

EXHIBIT 482 P. 16

WY-CONF-01752

Dn_Comb_mBsumit

Centra 6a - Mill Summary Results

Northwest Hardwoods - Cascadia

($000)

December 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	$/MBF	Average	Volume	$/MBF	Average	Volume	$/MBF	Average
3rd Party Sales									
Lumber - MBF	2,801	2,594	926	9,110	8,370	919	40,595	36,335	895
Poles - MBF	1,264	351	278	4,823	1,010	209	17,177	4,884	284
Chips/Cubes/Pulp		248	(0)		754	(0)		2,565	(0)
Total 3rd Party Sales - MBF	4,065	3,192	785	13,933	10,133	727	57,772	43,784	758
Inter-Division Sales									
Sales - Kenora	74	46	623	222	97	437	1,000	688	688
Sales - CDC	186	413	1,110	592	1,116	1,884	4,617	4,977	1,078
Sales - Ottawa	0	0	0	10	21	1,978	382	777	1,340
Sales - Toronto	0	0	0	0	0	0	0	0	0
Sales - Arden Warehouse	0	0	0	0	0	0	0	0	0
Sales - Owensboro - Bonus	0	0	0	0	0	0	91	133	1,461
Sales - Thunder	0	0	0	0	0	0	49	26	534
Lbr Trfrs, to KWH Mnfg. Loc.	0	0	0	0	0	0	0	0	0
Trfrs. to Kraft Div. Loc.	87	110	1,264	289	266	924	1,000	2,000	1,864
Total Lumber Sales - MBF	27	11	414	92	31	334	930	284	936
	1,439	1,580	1,097	14,376	10,379	721	63,140	45,339	718
Log Yard Sales									
3rd Party - MBF	0	0	0	0	0	0	0	0	0
Wayne - MBF	0	0	0	0	0	0	0	0	0
Log Transfers									
KWH Va. - MBF	1,725	923	540	1,725	922	540	3,673	1,970	539
KWH OK - MBF	0	0	0	0	0	0	0	0	0
Total Log Sales - MBF	1,727	923	540	1,725	922	540	3,673	1,970	539
Chip Sales - 3rd Party - BDT	1,397	271	194	1,397	1,224	194	4,970	4,891	194
Chip Sales - Wayne - BDT	191	34	18	191	23	18	1,048	1,748	18
Total Chip Sales - BDT	1,587	305	192	11,072	1,246	192	14,021	6,639	473
By-Products	2,668	21	11	6,774	111	11	15,196	462	11
Other Services	0	0	0	0	0	0	0	0	0
Total Sales Revenue - $000	4,054	3,331	999	14,376	10,111	711	63,140	53,670	861
Log Inventory - Logs	3,276	1,902	532	4,827	2,914	494	3,778	2,004	531
Purchased Logs - 3rd Party	1,276	566	494	4,765	2,625	561	22,811	11,613	508
Purchased Logs - Wayne	1,822	747	494	4,868	2,448	503	14,963	6,946	439
Tfr Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - KWH Va.	671	277	126	1,261	466	454	2,561	1,284	454
Logs Transferred In - KWH OK	0	0	0	0	0	0	0	0	0
Raw Materials Available	9,178	4,721	554	17,691	8,454	556	52,191	33,179	481
Lumber/B Conversion - MBF	2,972	1,499	231	12,683	5,879	273	38,251	19,186	223
Lumber/B Conversion - Bonsall	2,987	1,499	498	13,116	5,879	333	44,412	18,881	424
3rd Party Sales	0	0	0	0	0	0	120	46	382
Logs Transferred Out - KWH Va.	1,725	923	540	1,725	922	540	3,561	1,758	514
Logs Transferred Out - KWH OK	0	0	0	391	298	524	991	503	504
Ending Inventory - Logs	11,903	(3,180)	498	14,810	(3,181)	478	14,810	(3,181)	465
Timber Consumption	0	0	0	0	0	0	0	0	0
Total Tot R.M. Cons in Lbr.	4,712	2,421	514	13,472	6,259	464	17,476	13,678	482
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Loc.	87	110	1,264	289	266	924	1,000	2,000	1,864
Lumber Transfers from Ore. Loc.	0	0	0	270	214	794	827	566	684
Custom Services	0	0	0	0	0	0	0	0	0
Total Operating Income/(Loss)	90	129	1,434	1,048	1,092	1,042	1,498	1,993	1,331

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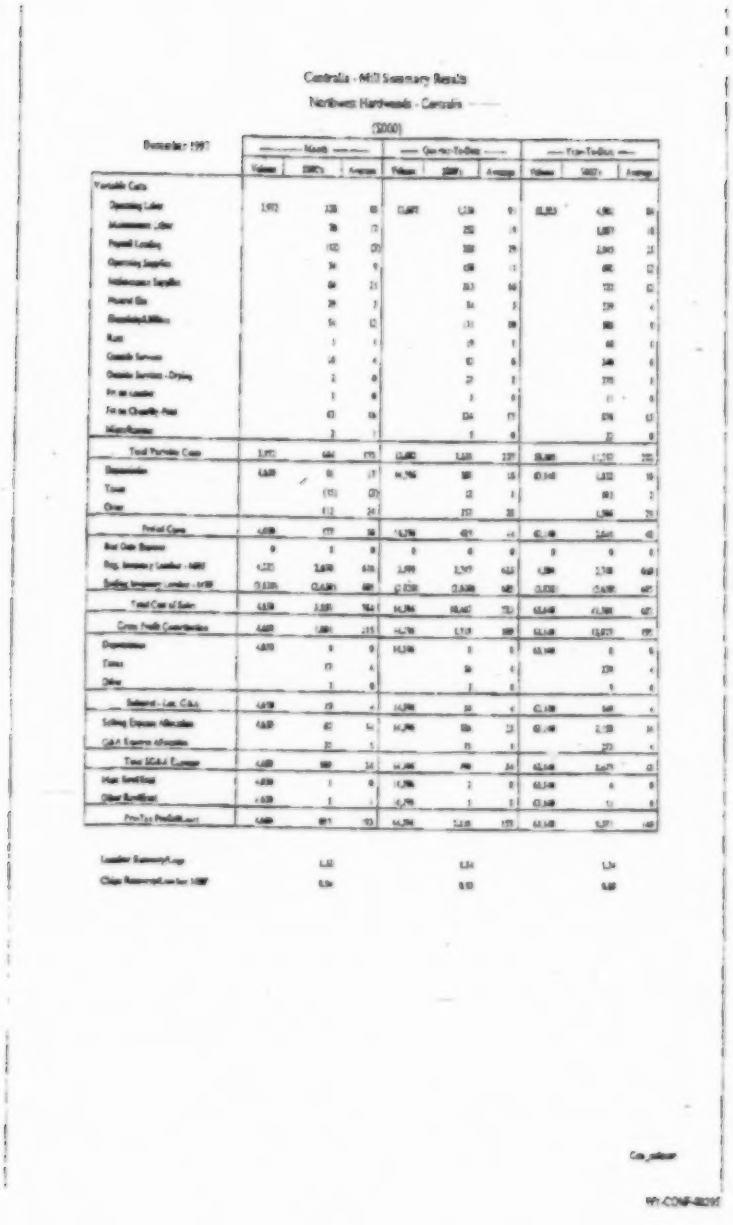

Centralia - Mill Summary Results

Northwest Hardwoods - Centralia

($000)

December 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	$/MBF	Average	Volume	$/MBF	Average	Volume	$/MBF	Average
Variable Costs									
Operating Labor	3,972	338	85	11,697	1,116	95	51,353	4,981	97
Maintenance - Labor		78	20		252	22		1,887	37
Payroll Loading		102	26		330	28		2,543	49
Operating Supplies		34	9		108	9		892	17
Maintenance Supplies		84	21		263	22		722	14
Power Gas		29	7		94	8		729	14
Electricity-Millsite		54	14		171	14		992	19
Rent		1	1		5	1		48	1
Outside Services		6	2		19	2		348	7
Outside Services - Drying		2	0		7	1		170	3
Fork Lift Leases		1	0		3	0		17	0
Fork Lift Monthly Fees		63	16		204	17		876	17
Miscellaneous		2	1		6	0		72	1
Total Variable Costs	3,972	664	170	11,697	2,555	218	51,353	14,737	287
Depreciation	4,000	70	17	14,796	301	25	57,340	1,202	23
Taxes		(11)	(3)		12	1		83	2
Other		112	28		357	30		1,394	27
Period Costs	4,000	177	44	14,796	671	56	57,340	2,641	51
Raw Gain Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Location - 4000	4,220	2,630	623	3,999	2,747	687	4,284	2,718	634
Ending Inventory Location - 4000	(3,335)	(2,438)	731	(3,335)	(2,438)	731	(3,335)	(2,438)	731
Total Cost of Sales	4,885	2,369	485	15,460	10,481	678	57,289	41,380	722
Gross Profit Contribution	4,885	1,881	385	14,716	1,719	117	63,148	13,673	217
Depreciation	4,885	0	0	14,796	0	0	63,148	0	0
Taxes		(1)	0		24	0		229	4
Other		1	0		2	0		9	0
Interest - Loc. C.A.I.	4,878	(1)	0	14,796	22	0	63,148	240	4
Selling Expense Allocation	4,885	67	14	14,796	994	67	63,148	2,153	34
G&A Expense Allocation		31	6		91	6		223	4
Total SG&A Expense	4,885	98	20	14,796	991	67	63,148	2,671	42
Non Operating	4,878	1	0	14,796	2	0	63,148	6	0
Other Significant	4,878	2	0	14,796	2	0	63,148	12	0
Pre-Tax Profit/(Loss)	4,885	871	178	14,796	2,418	163	63,148	9,371	148
Loader Runs/Hour		4.53			4.54			4.54	
Chain Runs/Hour		8.54			8.53			8.48	

Compiled

WI-CONF-00297

Centralia - MSB Summary Results

Northwest Hardwoods - Centralia

($000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	Budget	Variance	Volume	Budget	Variance	Volume	Budget	Variance
Net Port Sales									
Lumber - MBF	3,837	3,919	(82)	7,756	8,099	(343)	21,989	20,940	1,049
Poles - MBF	3,513	391	294	5,589	1,364	225	8,364	4,671	293
Shavings/Clean Chips		(44)	(7)		(90)	(5)		(198)	(6)
Net Jet Port Sales - MBF	4,871	3,866	1,005	13,345	7,369	5,976	31,345	25,413	5,932
Intra Division Sales									
Sales - Kosmo	0	(0)	0	0	(4)	0	264	124	140
Sales - CDC	44	22	22	90	42	48	222	360	(138)
Sales - Olympia	0	(0)	0	19	21	(2)	6	10	(4)
Sales - Tacoma	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Salem Woodyard	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Bangkok Woodyard	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Midway	0	(0)	0	19	31	(12)	24	39	(15)
Sales - Thorndill	0	(0)	0	0	(0)	0	0	(0)	0
Lin Trans. to WWS Wash. Lan.	0	(0)	0	0	(0)	0	540	551	(11)
Lin Trans. to WWS Ore. Lan.	211	222	(11)	211	222	(11)	6	(0)	6
Total Lumber Sales - MBF	255	21	234	36	34	2	1,018	1,191	(173)
	4,295	3,913	382	13,920	7,886	6,034	34,139	28,749	5,390
Log Yard Sales									
Jet Port - MBF	0	(0)	0	0	(0)	0	0	2	(2)
Wigen - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
WWW WA - MBF	0	(0)	0	461	191	270	882	418	464
WWW OR - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	0	(0)	0	461	191	270	882	420	462
Chip Sales - Jet Port - BDT	1,490	726	764	4,318	4,571	(253)	21,210	3,279	17,931
Freight - Jet Port		(268)	268		(822)	822		(658)	658
Chip Sales - Wigen - BDT	1,263	1,116	147	3,703	4,116	(413)	13,442	7,221	6,221
Freight - Wigen		(142)	142		(421)	421		(726)	726
Total Chip Sales - BDT	2,753	1,432	1,321	8,021	7,443	578	34,652	9,115	25,537
By-Products	1,397	41	1,356	1,869	356	1,513	21,783	424	21,359
Freight - By-Products		(13)	13		(40)	40		(171)	171
Other Services		(0)	0		(0)	0		0	0
Total Forest Resources - MBF	4,295	3,961	334	13,920	9,353	4,567	56,139	28,996	27,143
Log Inventory - Logs	3,831	3,871	(40)	3,849	3,972	(123)	3,849	3,366	483
Purchased Logs - Jet Port	1,837	959	878	4,854	2,211	2,643	16,974	4,379	12,595
Purchased Logs - Wigen	1,807	966	841	3,667	1,772	1,895	14,247	6,897	7,350
To Transformed In	0	0	0	0	0	0	0	0	0
Logs Transferred In - WWW WA	302	277	25	1,279	810	469	1,279	2,855	(1,576)
Logs Transferred In - WWW OR	0	0	0	0	0	0	0	0	0
Raw Material Available	8,076	6,743	1,333	13,721	8,772	4,949	46,117	19,610	26,507
Sawmill Conversion - MBF	3,231	3,209	22	8,627	4,312	4,315	24,836	17,687	7,149
Sawmill Conversion - Software	3,871		3,871	9,794		9,794	31,761		31,761
Jet Port Sales	0	0	0	0	0	0	0	0	0
Logs Transferred Out - WWW WA	0	0	0	46	114	(68)	992	418	574
Logs Transferred Out - WWW OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(3,903)	(3,274)	(629)	(3,903)	(3,314)	(589)	(3,903)	(3,314)	(589)
Timber Consumption	0	0	0	0	0	0	0	0	0
Total For Mill Cost or Loss	3,979	3,209	771	15,164	4,911	10,253	53,824	15,194	38,630

WY-CONF-00369

Centralia - Mill Summary Results

Northwest Hardwoods - Centralia

(2001)

December 1998	Month			Quarter-To-Date			Year-To-Date		
	Volume	2001	Average	Volume	2001	Average	Volume	2001	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers New York, Inc.	752	259	1,000	995	337	341	2,823	2,199	1,024
Lumber Transfers Iowa City, Inc.	0	2	695	28	10	344	43	23	539
Custom Services	0	0	0	0	0	0	0	0	0
Total Outside Inventory Cost	781	312	1,000	1,023	379	372	2,866	2,222	1,041
Variable Costs									
Operating Labor	2,021	342	169	10,677	1,254	117	34,859	4,250	122
Maintenance Labor		99	50		287	25		1,130	31
Payroll Loading		104	53		314	27		1,791	50
Operating Supplies		83	42		490	42		743	21
Maintenance Supplies		0	84		1,011	88		786	22
Electric Use		31	16		49	4		258	7
Electricity/Oil/Gas		67	33		123	11		324	9
Rent		30	15		30	3		120	3
Outside Services		31	16		101	9		290	8
Outside Services - Drying		9	5		11	1		35	1
Fees and Licenses		14	7		23	2		41	1
Miscellaneous Expenses		0	0		0	0		0	0
Miscellaneous		1	0		4	0		11	0
Total Variable Costs	2,021	847	433	13,677	3,877	340	34,859	10,907	304
Depreciation	4,919	96	49	13,229	289	24	34,128	1,258	35
Taxes		16	8		49	4		142	4
Other		118	60		373	33		1,477	41
Period Costs	4,919	230	117	13,229	710	61	34,128	2,877	80
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - NRV	7,671	7,160	675	6,835	6,433	663	3,853	2,639	1,000
Ending Inventory Lumber - NRV	(7,671)	(5,121)	(995)	(7,671)	(5,121)	(995)	(7,671)	(5,121)	(995)
Total Cost of Sales	4,391	3,549	1,000	12,479	7,862	1,000	34,128	24,634	1,000
Gross Profit Contribution	4,391	771	217	12,479	2,761	351	34,128	8,141	1,000
Depreciation	4,823	0	0	13,229	0	0	34,128	0	0
Taxes		12	3		42	3		149	4
Other		0	0		2	0		6	0
Subtotal - Lev. G&A	4,823	12	3	13,229	45	3	34,128	155	4
Selling Expense Allocation	4,391	221	63	12,479	649	82	34,128	2,162	63
G&A Expense Allocation		23	7		91	7		292	9
Total SG&A Expense	4,391	456	130	12,479	694	56	34,128	2,610	76
Misc Rent/Lease	4,391	4	1	12,479	2	0	34,128	4	0
Other Rent/Lease	4,391	11	3	12,479	31	2	34,128	11	0
Pre-Tax Profit/(Loss)	4,391	271	77	12,479	955	77	34,128	5,488	161
Lumber Turnover/Loop		1.33			1.48			1.41	
Chips Turnover/Lumber NRV		0.01			0.01			0.01	

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W1-CONF-00379

Centralia - Mill Summary Results

Northwest Hardwoods - Centralia

($CDN)

December 1999	Month			Quarter-to-Date			Year-To-Date		
	Volume	$/MBF	Average	Volume	$/MBF	Average	Volume	$/MBF	Average
3rd Party Sales									
Lumber - MBF	3,401	2,948	867	9,662	7,791	806	41,164	32,531	790
Pallet - MBF	1,330	314	236	4,393	1,242	283	28,968	8,267	285
Discounts/Claims		(18)	(0)		(52)	(0)		(313)	(0)
Net 3rd Party Sales - MBF	4,731	3,244	685	14,054	8,981	639	62,132	39,485	635
Inter-Division Sales									
Sales - Reman	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CSC	30	23	775	160	111	691	876	617	705
Sales - Chem Treat	13	21	1,614	69	97	1,413	206	284	1,382
Sales - Intl.Hardbry Warehouse	9	(0)	0	34	(0)	(1,000)	102	164	1,615
Lbr Trans. to WWH Allwood Loc.	28	22	1,118	78	64	1,017	78	64	1,119
Lbr Trans. to WWH Bristol Loc.	113	43	382	113	43	382	113	43	382
Lbr Trans. to WWH Wash.Loc.	84	118	1,413	648	913	1,403	3,125	3,378	1,048
Lbr Trans. to WWH Chr. Loc.	10	9	1,884	322	145	849	326	631	1,848
Total Lumber Sales - MBF	4,995	3,179	646	15,483	9,837	649	66,977	42,599	634
Log Yard Sales									
3rd Party - MBF	2	3	2,472	2	3	2,695	2	5	2,472
Waste - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
WWH WA - MBF	22	3	142	22	3	142	332	121	364
WWH OR - MBF	72	61	844	231	102	440	532	247	462
Total Log Swap - MBF	108	72	665	260	111	428	1,064	489	459
Chip Sales - 3rd Party - BDT	1,222	313	430	14,360	1,877	131	23,634	3,358	142
Freight - 3rd Party		(99)	(0.0)		(140)	(0.0)		(340)	(0.0)
Chip Sales - Weyco - BDT	282	39	94	1,098	172	94	22,251	2,240	101
Freight - Weyco		(7)	(0.0)		(10)	(0.0)		(220)	(0.0)
Total Chip Sales - BDT	1,477	251	170	15,115	1,844	122	58,991	4,777	81
By-Products	2,417	36	15	3,839	154	40	30,330	462	15
Freight - By-Products		(54)	(0.0)		(64)	(0.0)		(223)	(0.0)
Other Services		30	0		30	0		30	0
Total Sales Revenue - MBF	4,731	3,244	343	15,448	1,960	127	64,957	43,557	670
Beg. Inventory - Logs	4,278	3,399	699	4,833	3,963	820	3,444	2,824	820
Purchased Logs - 3rd Party	1,113	414	372	4,274	3,219	753	28,864	13,230	458
Other Handling Costs		11	11		63	15		292	10
Purchased Logs - Weyco	1,330	912	686	3,349	1,832	547	13,392	6,198	463
Other Handling Costs		0	0		0	0		0	0
Tfr Transferred In	0	0	0	114	38	331	902	472	523
Logs Transferred In - WWH WA	28	18	644	992	319	321	2,813	1,090	387
Other Handling Costs		0	0		0	0		0	0
Logs Transferred In - WWH OR	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Raw Materials Available	7,175	4,804	670	14,877	9,432	634	49,181	23,661	481
Sawmill Conversion - MBF	4,860	3,437	707	13,953	8,962	642	47,754	31,133	652
Sawmill Conversion - Scribner	2,992		688	10,132		689	44,277		672
3rd Party Sales	2	3	2,472	2	3	2,695	2	5	2,472
Logs Transferred Out - WWH WA	22	3	142	22	3	142	332	121	364
Logs Transferred Out - WWH OR	72	61	844	231	102	440	532	247	462
Ending Inventory - Logs	(4,164)	(2,883)	693	(4,164)	(2,883)	693	(4,164)	(2,883)	693
Timber Consumption	0	3	0	0	41	0	0	74	0
Total Vol. $/LC Cost to Log	5,412	3,788	687	10,477	6,124	585	43,672	28,598	655

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WH-CCDM-20043

Centralia - Mill Summary Results

Northwest Hardwoods - Centralia

($000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Weyh, Loc.	307	227	1,395	819	761	1,842	3,819	3,868	999
Freight from Weyh. Loc.		0	2		2	4		2	2
Lumber Transfers from Chn. Loc.	0	0	0	1	3	226	14	231	1,326
Freight from Chn. Loc.		0	0		0	0		1	18
Custom Services		0	0		0	0		0	0
Total Outside Acquisition Lbr	307	227	1,397	821	766	1,941	3,833	3,878	777
Variable Costs									
Operating Labor	4,842	363	92	13,722	1,221	89	61,214	5,542	91
Maintenance Labor		186	28		338	25		1,326	22
Payroll Labeling		217	54		519	40		2,311	39
Operating Supplies		64	16		201	63		726	12
Maintenance Supplies		45	10		126	31		382	6
Natural Gas		28	7		64	5		263	4
Electricity/Utilities		45	12		143	38		643	10
Rent		8	2		21	1		90	1
Outside Services		11	4		36	3		244	3
Outside Services - Drying	0	0	0	0	0	0	4,233	34	44
Fee on Lumber		1	0		3	0		43	1
Steelhead Expense		0	0		(1)	(1)		(13)	(0)
Miscellaneous		11	3		14	3		129	2
Total Variable Costs	4,842	982	213	13,722	2,861	208	67,234	11,682	180
Depreciation	4,773	182	31	17,464	330	23	66,727	1,214	18
Taxes		17	4		43	3		178	3
Other		116	24		230	17		1,434	22
Period Costs	4,773	314	66	17,464	743	43	66,727	2,826	42
Red Dots Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	5,222	4,194	779	4,728	4,191	781	7,411	5,621	692
Ending Inventory Lumber - MBF	(5,481)	(4,313)	787	(5,700)	(4,344)	777	(5,481)	(4,313)	787
Total Cost of Sales	4,773	3,234	677	15,492	3,672	536	66,153	10,181	599
Gross Profit Contribution	4,773	662	86	15,492	1,869	480	66,577	3,466	111
Depreciation	4,773	0	0	17,464	0	0	66,727	0	0
Taxes		17	3		53	3		219	3
Other		0	0		1	0		0	0
Subtotal - Lbr, G&A	4,773	17	3	17,464	54	3	66,727	223	3
Sibley Expense Allocation	4,773	642	34	17,464	1,788	31	66,727	2,307	34
G&A Expense Allocation		23	1		83	1		308	5
Total SG&A Expenses	4,773	322	43	17,464	1,841	43	66,727	2,529	43
Non Ord(Exp)	4,773	4	1	17,464	0	0	66,727	59	1
Other Ord(Exp)	4,773	0	1	17,464	23	1	66,727	55	0
Pre-Tax Profit/(Loss)	4,773	332	44	17,464	1,993	43	66,727	1,776	18
Lumber Recovery/Log		4.77			4.77			4.48	
Chip Recovery/Lumber MBF		0.83			0.81			0.83	

WY-CCMF-00148

EXHIBIT 482 P. 22

Cladrails - Mill Summary Results

Northwest Hardwoods - Cascadia

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October 2580

	Month			Quarter-To-Date			Year-To-Date		
	Volume	[illegible]	Average	Volume	[illegible]	Average	Volume	[illegible]	Average
Sold P... – Sales									
[illegible]	2,900	2,647	913	3,466	4,340	894	3,466	4,340	894
[illegible]	2,210	648	293	2,461	1,499	609	4,883	1,950	399
[illegible]		(23)	(0)		(43)	(0)		(43)	(0)
[illegible]	5,110	3,272	640	5,927	5,796	978	8,349	6,247	748
[illegible] – [illegible] Sales									
[illegible]	0	(9)	0	0	(9)	0	0	(9)	0
[illegible]	43	41	1,054	113	118	1,049	113	118	1,049
[illegible] – [illegible] to Tolleson	15	11	1,000	31	43	1,358	31	43	1,358
[illegible] – [illegible] Hardwoods	0	(0)	0	0	(0)	0	0	(0)	0
[illegible] – [illegible] to [illegible] Alderwood Lan.	0	(0)	0	0	(0)	0	0	(0)	0
[illegible] – [illegible] to [illegible] Boulevard Lan.	0	(0)	0	0	(0)	0	0	(0)	0
[illegible] – [illegible] to [illegible] Wood, Lan.	0	(0)	0	0	(0)	0	0	(0)	0
[illegible] – [illegible] to [illegible] Dog, Lan.	342	370	1,080	369	400	1,084	369	400	1,084
[illegible] – [illegible] to [illegible] Dog, Lan.	69	71	1,030	114	118	1,039	114	118	1,039
Total [illegible] Sales - [illegible]	5,499	3,496	636	10,555	6,459	612	10,755	6,759	628
Log [illegible] – Drop									
[illegible] – [illegible]	0	(0)	0	0	(0)	0	0	(0)	0
[illegible] – [illegible]	0	(0)	0	0	(0)	0	0	(0)	0
Log [illegible] – [illegible]									
[illegible] – [illegible] – [illegible]	0	(0)	0	0	(0)	0	0	(0)	0
[illegible] – [illegible] – [illegible]	0	(0)	0	0	0	0	0	0	0
Total [illegible] Sales - [illegible]	0	(0)	0	0	0	0	0	0	0
Ch – [illegible] – [illegible] Peeler - [illegible]	1,014	108	107	1,166	124	107	1,166	124	107
[illegible] – [illegible] Peeler		(21)	(106)		(71)	(107)		(71)	(107)
[illegible] – [illegible] – [illegible]	1,062	170	160	2,347	311	133	2,347	311	133
[illegible] – [illegible]		(29)	(106)		(39)	(106)		(39)	(106)
[illegible] – [illegible] Sales - [illegible]	2,077	227	109	3,513	324	92	3,513	324	92
[illegible] – [illegible]	2,063	41	20	6,832	93	14	6,832	93	14
[illegible] – [illegible] – [illegible] Peeler		(13)	(20)		(79)	(12)		(79)	(12)
[illegible] – [illegible]		(0)	0		(0)	0		(0)	0
Peeler [illegible] – [illegible] - [illegible]	2,063	28	14	13,345	14	1	13,345	14	1
Log [illegible] – Logs									
[illegible] – [illegible] – [illegible]	1,796	2,149	1,197	2,964	2,754	929	2,964	2,754	929
[illegible] – [illegible] – [illegible]	2,169	1,201	553	4,448	2,676	602	4,448	2,676	602
[illegible] – [illegible] – [illegible]		4	4		23	6		23	6
[illegible] – [illegible] – [illegible]	664	456	686	2,349	1,548	659	2,349	1,548	659
[illegible] – [illegible] – [illegible]		2	4		11	4		11	4
[illegible] – [illegible] – [illegible]	0	0	0	0	0	0	0	0	0
[illegible] – [illegible] – [illegible]	96	364	473	1,852	121	65	1,852	121	65
[illegible] – [illegible] – [illegible]		0	0		0	0		0	0
[illegible] – [illegible] – [illegible]	0	0	0	0	0	0	0	0	0
[illegible] – [illegible] – [illegible]		0	0		0	0		0	0
[illegible] – [illegible] – [illegible]	5,787	4,138	715	11,473	6,952	606	11,473	6,952	606
[illegible] – [illegible] – [illegible]	2,256	1,823	808	11,316	4,152	367	11,316	4,152	367
[illegible] – [illegible] – [illegible]	2,433		362	7,399		756	7,399		756
[illegible] – [illegible]	0	0	0	0	0	0	0	0	0
[illegible] – [illegible] – [illegible]	0	0	0	0	0	0	0	0	0
[illegible] – [illegible] – [illegible]	0	0	0	0	0	0	0	0	0
[illegible] – [illegible] – [illegible]									
[illegible] – [illegible] – [illegible]	11,476	7,961	694	41,556	17,104	412	41,556	17,104	412
[illegible] – [illegible] – [illegible]	2,438	1,923	789	7,482	4,924	658	7,482	4,924	658

Cascadia

WY-CORP-402021

EXHIBIT 482 P. 23

Centralia - Mill Summary Results
Northwest Hardwoods - Centralia
(5000)

EXHIBIT 482 P. 24

Centralia - Mill Summary Results

Northwest Hardwoods - Centralia

($000)

December 2001	Month			Quarter-To-Date			Year-To-Date		
1/8/2002 16:50	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	2,028	1,655,994	817	7,423	5,973,607	805	32,430	27,135,554	837
Pallet - MBF	1,545	371,209	241	5,377	1,319,994	245	23,807	5,883,817	246
Discounts/Claims		(72,644)	(4)		(52,279)	(4)		(233,420)	(4)
Net 3rd Party Sales - MBF	3,573	2,016,559	564	12,800	7,241,333	566	56,237	31,786,351	565
Intra Division Sales									
Sales - Raxton	0	(3,861)	0	0	(5,000)	0	0	(7,800)	0
Sales - CSC	19	17,296	916	118	121,957	1,034	348	570,457	1,641
Sales - Okawa/Taiwan	37	50,855	1,375	56	74,052	1,330	229	289,522	1,213
Sales - Indiana/Bldg Warehouse	0	0.000	0	18	24,989	1,356	109	167,657	1,536
Lbr Trans. to NWH Midwest Loc.	0	(9,000)	0	0	(9,000)	0	38	37,209	969
Lbr Trans. to NWH Reload Loc.	0	(0,000)	0	0	(0,000)	0	0	(0,000)	0
Lbr Trans. to NWH Wash. Loc.	86	152,210	1,783	513	699,878	1,365	3,683	3,784,109	1,201
Lbr Trans. to NWH Ore. Loc.	131	139,955	1,061	412	487,886	1,184	1,259	1,500,498	1,211
Total Lumber Sales - MBF	3,846	2,377,172	618	13,916	8,660,915	622	61,593	39,067,903	634
Log Yard Sales									
3rd Party - MBF	0	(0,000)	0	23	6,961	283	230	113,950	543
Weyco - MBF	0	(0,000)	0	0	(0,000)	0	0	(0,000)	0
Log Transfers									
NWH WA - MBF	0	(0,000)	0	866	397,003	458	1,575	730,572	464
NWH OR - MBF	32	20,097	586	100	38,703	388	191	77,734	407
Total Log Sales - MBF	32	32,097	586	987	441,866	448	1,976	922,236	467
Chip Sales - 3rd Party - BDT	2,075	213,594	80	9,691	775,645	80	38,513	3,473,383	90
Freight - 3rd Party		(39,252)	(15)		(151,342)	(16)		(548,950)	(14)
Chip Sales - Weyco - BDT	0	(0,000)	0	20	1,394	70	4,375	375,474	86
Freight - Weyco		(0,000)	0		(0,169)	(8)		(43,548)	(10)
Total Chip Sales - BDT	2,075	134,741	65	9,715	625,529	64	42,888	3,256,359	76
By-Products	2,037	36,281	18	7,177	122,890	17	30,219	513,205	17
Freight - By-Products		(3,847)	(2)		(28,666)	(4)		(122,265)	(4)
Other Services		(0,000)	0		(0,000)	0		(0,000)	0
Total Sales Revenue - MBF	3,946	2,691,845	677	13,916	9,632,433	706	61,593	43,638,338	708
Beg. Inventory - Logs	2,345	1,185,803	505	3,378	1,597,105	499	2,994	1,703,995	569
Purchased Logs - 3rd Party	581	290,261	500	2,431	1,687,802	693	17,888	9,489,825	531
Other Handling Costs		11,768	20		38,969	11		169,090	9
Purchased Logs - Weyco	1,344	691,518	515	3,845	1,944,230	505	13,823	7,851,682	495
Other Handling Costs		0.000	0		0.000	0		39,698	3
Log Transferred In	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred In - NWH WA	660	177,041	268	1,070	334,005	368	4,983	1,357,103	383
Other Handling Costs		0.000	0		0.000	0		0.000	0
Logs Transferred In - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Raw Materials Available	4,731	2,358,410	498	11,570	5,662,161	489	43,318	21,913,495	505
Sawmill Conversion - MBF	3,571	1,144,088	320	12,064	4,224,477	350	57,963	18,891,965	326
Sawmill Conversion - Softwar	2,200		501	8,591		491	30,543		511
3rd Party Sales	0	0.000	0	23	7,113	309	210	116,399	554
Logs Transferred Out - NWH WA	0	0.000	0	866	397,322	459	1,575	732,237	465
Logs Transferred Out - NWH OR	32	20,097	586	100	38,704	388	191	77,670	411
Ending Inventory - Logs	(2,427)	(1,194,305)	492	(2,480)	(1,194,305)	482	(2,630)	(1,194,305)	454
Total Net Mill Cost to Loc.	2,333	1,164,195	499	9,178	4,467,856	487	38,319	19,819,100	517

EXHIBIT 482 P. 25

Centralia - Mill Summary Results

Northwest Hardwoods - Centralia

($000)

December 2001	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Wash. Loc.	100	116.039	1,355	250	284.955	1,138	3,105	2,950.901	950
Freight from Wash. Loc.		0.267	3		0.675	3		6.133	2
Lumber Transfers from Ore. Loc.	0	0.000	0	55	83.604	1,520	208	278.284	1,340
Freight from Ore. Loc.		0.134	0		0.934	17		3.667	18
Custom Services		0.000	0		0.000	0		0.000	0
Total Outside Purchases Lbr	100	116.440	1,165	305	370.169	1,213	3,313	3,238.975	978
Variable Costs									
Operating Labor	3,370	295.423	83	12,964	1,068.277	82	57,963	4,348.046	82
Maintenance Labor		66.750	19		230.215	18		1,084.066	19
Payroll Loading		249.382	70		729.838	56		2,677.878	46
Operating Supplies		31.888	9		96.522	7		482.736	8
Maintenance Supplies		8.476	2		85.649	7		389.980	7
Natural Gas		47.382	13		126.649	10		610.182	11
Electricity/Utilities		50.754	14		155.429	12		575.432	10
Rent		7.394	2		26.426	2		108.078	2
Outside Services		24.552	7		66.545	5		238.500	4
Outside Services - Drying	2,402	0.000	0	4,687	0.000	0	4,687	0.000	0
Per m Lumber		2.216	1		4.107	0		48.389	1
Distributed Expenses		0.552	0		2.171	0		3.447	0
Miscellaneous		9.603	3		25.702	2		102.971	2
Total Variable Costs	3,370	793.712	222	12,964	3,688.549	281	57,963	11,071.435	191
Depreciation	3,846	90.319	23	13,916	298.202	21	61,593	1,209.551	20
Taxes		0.006	2		25.129	2		131.034	2
Other		74.388	19		301.197	22		1,249.313	20
Period Costs	3,846	172.793	45	13,916	630.686	45	61,593	2,589.898	42
Bad Debt Expense	0	0.000	0	0	0.000	0	0	0.000	0
Beg. Inventory Lumber - MBF	4,832	3,621.712	792	5,124	4,130.778	806	4,868	4,841.755	995
Ending Inventory Lumber - MBF	(4,448)	(3,524.000)	792	(4,448)	(3,524.000)	792	(4,448)	(3,524.000)	792
Total Cost of Sales	3,846	3,344.926	870	13,916	4,703.913	435	61,593	38,836.837	648
Gross Profit/ Contribution	3,846	252.971	67	13,916	1,118.479	80	61,593	5,601.581	91
Depreciation	3,846	0.000	0	13,916	0.000	0	61,593	0.000	0
Taxes		11.930	3		43.163	3		198.664	3
Other		4.672	1		5.794	0		5.821	0
Subtotal - Loc. G&A	3,846	16.602	4	13,916	48.957	4	61,593	204.486	3
Selling Expense Allocation	3,841	0.000	0	13,916	0.000	0	61,593	0.000	0
G&A Expense Allocation		0.000	0		0.000	0		0.000	0
Total SG&A Expenses	3,846	16.602	4	13,916	48.957	4	61,593	204.486	3
Misc Rev/(Exp)	3,846	0.142	0	13,916	2.079	0	61,593	2.322	0
Other Rev/(Exp)	3,846	(0.758)	(0)	13,916	(7.349)	(1)	61,593	(26.989)	(0)
Pre-Tax Profit/(Loss)	3,846	248.813	65	13,916	1,064.861	76	61,593	5,372.348	87
Lumber Recovery/Log		1.57			1.68			1.57	
Chips Recovery/Lumber MBF		0.75			0.75			0.74	
Timber Profit/Loss		0.000			0.000			0.000	
Results		248.813			1,064.861			5,372.348	
Difference		(0.000)			0.000			(0.000)	

EXHIBIT 482 P. 26

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Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	3,043	2,877	946	12,043	11,752	976	49,027	47,384	967
Pallet - MBF	1,339	228	234	4,213	1,070	254	18,178	4,825	265
Discounts/Claims/Freight		(17)	(4)		(57)	(3)		(198)	(3)
Net 3rd Party Sales - MBF	4,369	3,088	732	16,256	12,765	785	67,196	52,012	780
Intra Division Sales									
Sales - Reman	131	75	573	131	75	573	736	392	534
Sales - CSC	7	5	719	43	42	963	137	137	998
Sales - Chewa	13	23	1,795	133	171	1,289	767	914	1,192
Sales - Taiwan	0	(0)	0	13	14	1,101	70	73	1,038
Sales - Indiana Warehouse	0	(0)	0	13	26	1,966	138	182	1,646
Sales - Titusville	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Midwest	0	(0)	0	44	39	893	44	39	893
Lbr Trans. to NWH Wash. Loc.	515	525	1,019	1,004	931	947	7,444	7,071	950
Lbr Trans. to NWH Ore. Loc	0	(0)	0	2	1	283	346	337	1,030
Total Lumber Sales - MBF	5,041	3,824	759	17,654	14,068	798	75,766	60,596	773
Log Yard Sales									
3rd Party - MBF	0	1	179	11	2	203	53	49	884
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
NWH WA - MBF	414	223	538	639	317	504	2,046	1,079	527
NWH OR - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	414	224	543	649	319	499	2,101	1,127	537
Chip Sales - 3rd Party - BDT	3,678	327	89	7,682	659	86	39,439	3,502	89
Chip Sales - Weyco - BDT	5,366	492	92	22,531	2,067	92	77,933	7,144	92
Total Chip Sales - BDT	9,044	819	91	29,953	2,726	91	117,372	10,645	91
By-Products	1,646	7	4	5,261	27	5	34,058	184	5
Other Services	0	(0)	0	0	(0)	0	0	4	0
Total Sales Revenue - MBF	5,041	4,878	968	17,654	17,140	971	75,766	68,673	934
Beg. Inventory - Logs	4,933	1,748	354	5,534	1,933	349	10,727	4,887	456
Purchased Logs - 3rd Party	2,743	1,632	436	11,202	5,669	399	55,810	29,333	363
Purchased Logs - Weyco	103	50	493	267	111	419	2,830	996	352
The Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - NWH WA	1,721	934	539	1,777	942	536	3,972	1,494	488
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Raw Materials Available	19,510	4,364	415	21,780	8,654	398	71,647	27,554	385
Sawmill Conversion - MBF	3,919	1,804	460	14,039	5,999	426	59,483	24,118	406
Sawmill Conversion - Scribner	4,082	1,804	422	15,505	5,997	387	63,956	24,118	377
3rd Party Sales	0	4	537	11	6	518	53	24	436
Logs Transferred Out - NWH WA	414	222	538	639	317	504	2,043	1,079	527
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(3,617)	(2,334)	645	(3,617)	(2,334)	645	(3,617)	(2,334)	645
Timber Consumed/Old	0	0	0	0	1	0	0	(12)	0
Total Net RM Cost to Loc.	4,894	2,030	415	16,145	6,331	392	66,834	25,188	380
Lumber Purchases	0	0	0	0	0	0	121	60	500
Lumber Transfers from Wash. Loc	781	719	920	3,309	3,064	926	13,934	12,402	890
Lumber Transfers from Ore. Loc.	0	0	0	0	0	0	78	77	993
Custom Services	0	0	0	0	3	0	0	3	0
Total Outside Incoming Lbr	781	719	920	3,309	3,077	929	14,093	12,537	890

EXHIBIT 482 P. 27

WY-CONF-00127

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Variable Costs									
Operating Labor	3,919	367	94	14,019	1,347	96	59,481	5,751	97
Maintenance Labor		95	24		307	22		1,242	21
Payroll Loading		(19)	(5)		431	31		2,416	41
Operating Supplies		61	15		232	17		1,018	17
Maintenance Supplies		70	18		200	14		989	17
Natural Gas		11	3		34	2		104	2
Electricity/Utilities		59	15		175	13		702	12
Rent		8	2		30	2		124	2
Outside Services		47	12		139	10		657	11
Outside Services - Drying		71	18		184	13		567	10
Fee on Lumber		1	0		6	0		37	1
Fee on Chips/By-Prod		67	17		222	16		1,258	21
Miscellaneous		0	0		3	0		9	0
Total Variable Costs	3,919	864	216	14,019	3,429	245	59,481	14,851	250
Depreciation	5,041	105	21	17,654	304	17	73,766	1,256	17
Taxes		8	2		27	2		111	1
Other		122	24		399	23		1,417	19
Period Costs	5,041	246	49	17,654	730	41	73,766	2,784	38
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	6,058	3,854	649	8,033	4,884	634	3,854	2,095	633
Ending Inventory Lumber - MBF	(3,716)	(1,900)	682	(3,716)	(1,900)	682	(3,716)	(1,900)	682
Total Cost of Sales	9,843	2,871	789	17,654	13,725	777	73,766	53,179	748
Gross Profit Contribution	5,941	1,086	199	17,654	3,435	195	73,766	13,899	186
Depreciation	5,041	0	0	17,654	0	0	73,766	0	0
Taxes		17	3		67	4		283	4
Other		1	0		2	0		9	0
Selling - Lac, G&A	5,041	17	3	17,654	69	4	73,766	293	4
Selling Expense Allocation	5,041	36	7	17,654	422	24	73,766	2,496	34
G&A Expense Allocation		23	5		75	4		273	4
Total SG&A Expense	5,041	75	15	17,654	567	32	73,766	3,063	42
Misc Rev/(Exp)	5,041	1	0	17,654	3	0	73,766	37	0
Other Rev/(Exp)	5,041	(8)	0	17,654	3	0	73,766	(25)	(0)
Pre-Tax Profit/Loss	5,941	974	184	17,654	2,879	163	73,766	10,631	144
Lumber Recovery/Log		8.87			9.39			8.93	
Chips Recovery/Lumber MBF		2.75			2.51			2.39	

All_mills.xls

EXHIBIT 482 P. 28

WY-CONF-00128

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 1998	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	2,371	1,519	809	8,716	6,983	783	34,679	33,856	911
Poles - MBF	1,391	348	250	4,233	1,032	249	18,604	4,637	249
Discounts Claims/Freight		(12)	(4)		(44)	(3)		(187)	(3)
Net 3rd Party Sales - MBF	3,763	2,255	599	12,949	7,947	609	53,283	36,551	661
Inter Division Sales									
Sales - Renton	0	(0)	0	0	(0)	0	321	277	322
Sales - CDC	43	28	681	105	70	663	291	196	697
Sales - Chehalis	91	97	1,067	254	278	1,114	566	671	1,188
Sales - Tacoma	18	11	633	55	35	633	32	25	778
Sales - Kalkin Warehouse	0	(0)	0	0	(0)	0	133	177	1,325
Sales - Ketchum Warehouse	33	36	1,076	158	169	1,076	998	279	1,613
Sales - Midway	0	(0)	0	0	(0)	0	20	19	938
Sales - Vancouver	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Wash. Loc.	131	129	1,042	441	433	996	3,673	3,825	1,041
Lbr Trans. to NWH Ore. Loc.	3	3	1,156	3	3	1,156	241	333	963
Total Lumber Sales - MBF	4,132	2,658	643	14,188	9,838	661	60,541	43,251	692
Log Yard Sales									
3rd Party - MBF	41	3	83	42	4	89	223	66	297
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
NWH WA - MBF	0	(0)	0	943	443	477	1,311	838	636
NWH OR - MBF	0	(0)	0	242	103	433	242	103	433
Total Log Sales - MBF	41	3	83	1,249	554	445	2,176	1,010	464
Chip Sales - 3rd Party - BDT	4,233	383	85	8,096	718	93	16,083	1,584	98
Freight - 3rd Party		(17)	(4)		(76)	(9)		(162)	(10)
Chip Sales - Weyco - BDT	988	87	88	12,886	1,131	88	90,169	8,156	90
Freight - Weyco		(14)	(14)		(204)	(17)		(1,219)	(13)
Total Chip Sales - BDT	5,220	441	84	21,182	1,621	77	106,254	8,391	79
By-Product Sales	1,569	6	4	5,109	24	4	24,680	104	4
Freight - By-Product		(9)	0		(9)	0		(9)	0
Other Services		(0)	0		(0)	0		(0)	0
Total Sales Revenue - MBF	4,833	3,110	649	14,188	11,340	799	60,541	51,756	849
Beg. Inventory - Logs	3,277	1,076	324	3,907	1,228	341	3,647	2,334	633
Purchased Logs - 3rd Party	3,491	1,338	383	12,616	4,620	361	53,996	20,134	373
Purchased Logs - Weyco	86	22	413	123	43	359	1,697	572	343
Tbr Transferred In	0	0	0	0	0	0	188	53	477
Logs Transferred In - NWH WA	13	4	338	88	28	313	1,214	501	413
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Raw Materials Available	6,889	2,441	354	16,936	6,221	367	61,430	23,904	389
Lineal Conversion - MBF	2,067	1,054	366	11,972	4,279	358	53,178	20,225	406
Sawmill Conversion - Softwood	1,821		376	11,661		367	50,227		379
3rd Party Sales	41	0	283	43	13	283	223	57	254
Logs Transferred Out - NWH WA	0	0	0	943	443	470	1,311	838	636
Logs Transferred Out - NWH OR	0	0	0	242	103	433	242	103	433
Ending Inventory - Logs	(4,827)	(1,379)	343	(4,827)	(1,379)	343	(4,827)	(1,379)	343
Timber Company Mbf	0	1	0	0	1	0	0	1	0
Total Net Mbf Cost to Loc.	2,963	1,064	773	12,910	4,845	375	58,482	22,224	382

All Million

EXHIBIT 482 P. 29

WY-CONF-00103

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 1998	Month			Quarter-To-Date			Year-To-Date		
	Volume	2000's	$/MBF	Volume	2000's	$/MBF	Volume	2000's	$/MBF
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Lac.	239	242	1,017	386	433	1,099	8,834	8,167	930
Lumber Transfers from Ore. Lac.	3	3	1,133	3	3	1,133	30	33	1,109
Custom Services	0	0	0	0	0	0	0	0	0
Total Outside Inventory Use	231	245	1,058	389	436	1,094	8,964	7,682	931
Variable Costs									
Operating Labor	3,847	358	109	11,972	1,250	105	97,178	9,225	190
Maintenance Labor		83	25		288	24		1,223	23
Payroll Loading		118	35		334	28		2,000	38
Operating Supplies		47	15		168	14		764	14
Maintenance Supplies		90	28		216	18		898	17
Natural Gas		64	19		79	7		182	3
Electricity/Utilities		96	28		147	12		683	13
Rent		14	5		39	3		153	3
Outside Services		13	4		39	3		387	7
Outside Services - Drying		0	0		0	0		143	3
Fees on Lumber		6	2		27	2		90	2
Distributed Expenses		0	0		10	2		83	2
Miscellaneous		0	0		4	0		17	0
Total Variable Costs	3,847	883	264	11,972	2,621	219	97,178	15,809	264
Depreciation	4,032	113	27	14,032	365	26	68,941	1,424	25
Taxes		2	0		21	1		128	2
Other		96	23		248	23		1,450	26
Period Costs	4,032	210	51	14,188	733	52	68,941	2,982	49
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	7,872	5,862	745	7,876	5,641	716	8,716	3,950	682
Ending Inventory Lumber - MBF	(8,145)	(4,650)	707	(8,145)	(4,650)	707	(8,145)	(4,650)	707
Total Cost of Sales	4,551	3,495	649	14,188	3,629	603	68,941	44,250	722
Gross Profit Contribution	4,551	415	180	14,188	1,618	314	68,941	2,707	134
Depreciation	4,732	0	0	14,188	0	0	68,941	0	0
Taxes		12	3		44	3		208	3
Other		1	0		3	0		20	0
Selected - Lac. G&A	4,551	12	3	14,188	47	3	68,941	229	4
Selling Expense Allocation	4,732	240	83	14,188	688	48	68,941	3,286	33
G&A Expense Allocation		33	8		86	6		592	3
Total SG&A Expense	4,551	285	94	14,188	820	57	68,941	3,908	46
Misc. Rev/(Exp)	4,551	0	0	14,188	6	0	68,941	24	0
Other Rev/(Exp)	4,551	(12)	(3)	14,188	(33)	(2)	68,941	(241)	(3)
Pre-Tax Profit/(Loss)	4,551	12	3	14,188	772	57	68,941	4,899	81
Lumber Recovery/Log		1.88			1.83			8.91	
Chips Recovery/Lumber MBF		2.14			2.83			2.35	

EXHIBIT 482 P. 30

WY-CORF-00104

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	2,491	2,221	892	8,233	7,485	909	33,787	28,711	850
Pallet - MBF	1,312	382	291	4,858	1,188	245	19,695	4,833	245
Discounts/Claims		(9)	(7)		(18)	(2)		(139)	(1)
Net 3rd Party Sales - MBF	3,723	2,603	700	13,238	8,615	651	53,482	33,385	624
Intra Division Sales									
Sales - Rainier	0	(1)	0	0	(9)	0	0	(9)	0
Sales - CSC	31	37	1,200	55	58	1,058	295	280	950
Sales - Chavo/Taiwan	29	28	955	37	61	1,659	427	510	1,195
Sales - Wellbilt Warehouse	19	27	1,402	54	80	1,482	168	253	1,507
Lbr Trans. to NWH Midwest Lbr.	0	(0)	0	0	(0)	0	20	18	902
Lbr Trans. to NWH Rebsel Lbr.	0	(0)	0	0	(0)	0	80	53	667
Lbr Trans. to NWH Wash. Lbr.	333	343	1,031	583	612	1,044	2,206	2,373	1,075
Lbr Trans. to NWH Ore. Lbr.	0	(0)	0	11	14	1,295	37	41	1,109
Total Lumber Sales - MBF	4,225	2,837	722	13,981	9,489	672	56,718	36,876	650
Log Yard Sales									
3rd Party - MBF	2	2	1,232	17	6	373	243	28	110
Weyco - MBF	0	(1)	0	0	(2)	0	0	(9)	0
Log Transfers									
NWH WA - MBF	0	(0)	0	990	532	538	2,895	1,539	532
NWH OR - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	2	2	1,232	1,007	528	524	3,138	1,567	499
Chip Sales - 3rd Party - BDT	2,250	(0)	0	2,304	(0)	0	14,925	1,260	85
Freight - 3rd Party		(14)	(6)		(14)	(6)		(192)	(13)
Chip Sales - Weyco - BDT	5,322	448	84	22,184	1,951	88	88,826	7,429	84
Freight - Weyco		(73)	(14)		(317)	(14)		(1,489)	(17)
Total Chip Sales - BDT	7,572	358	75	25,488	1,616	71	103,749	7,487	72
By-Products Sales	1,861	12	7	5,671	42	7	23,976	181	7
Freight - By-Products		(0)	0		(0)	0		(0)	0
Other Services		(0)	0		(0)	0		(0)	0
Total Sales Revenue - MBF	4,025	3,181	790	13,981	10,885	844	56,718	44,815	811
Beg. Inventory - Logs	4,874	2,313	499	3,464	2,709	496	4,827	3,279	542
Purchased Logs - 3rd Party	3,274	1,853	566	12,661	5,078	401	53,512	21,643	404
Other Handling Costs		138	42		310	24		825	15
Purchased Logs - Weyco	4	2	427	66	33	529	1,987	793	396
Other Handling Costs		0	0		0	0		0	0
Tfr Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - NWH WA	4	2	419	72	34	482	1,969	847	430
Other Handling Costs		0	44		3	43		13	7
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Raw Materials Available	7,958	3,035	469	18,264	8,183	447	61,899	28,099	454
Sawmill Conversion - MBF	3,987	1,862	462	13,597	5,848	430	54,881	22,110	403
Sawmill Conversion - Surfaces	3,344		463	13,486		434	54,937		402
3rd Party Sales	2	0	239	17	4	223	243	53	220
Logs Transferred Out - NWH WA	0	0	0	990	522	528	2,901	1,539	530
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(3,992)	(1,992)	499	(3,992)	(1,992)	499	(3,992)	(1,992)	499
Timber Conveyed/Sold	0	0	0	0	0	0	0	0	0
Total Net Mill Cost of Log	3,946	1,843	465	14,472	6,376	441	58,109	25,705	442

EXHIBIT 482 P. 31

WY-CONF-00075

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Lac.	232	213	920	664	627	944	2,521	2,378	1,000
Freight from Wash. Lac.		0	2		2	3		12	5
Lumber Transfers from Ore. Lac.	0	0	0	0	0	0	14	21	1,476
Freight from Ore. Lac.		0	0		0	0		1	39
Custom Services		0	0		0	0		1	0
Total Outside Inventory Lbr	232	214	922	664	629	974	2,545	2,569	1,009
Variable Costs									
Operating Labor	3,987	374	94	12,397	1,271	95	34,881	3,153	94
Maintenance Labor		89	20		274	20		1,217	22
Payroll Loading		253	63		669	50		2,344	42
Operating Supplies		71	18		188	14		771	14
Maintenance Supplies		61	15		164	12		701	13
Natural Gas		21	5		53	4		209	4
Electricity/Utilities		57	14		163	12		649	12
Rent		9	2		22	2		126	2
Outside Services		38	10		94	7		395	7
Outside Services - Drying	243	38	99	1,030	98	75	3,413	389	82
Fit on Lumber		16	4		32	4		130	2
Direct Labor Expenses		14	4		31	2		43	0
Miscellaneous		8	2		21	2		48	1
Total Variable Costs	3,987	1,033	259	13,397	3,079	230	34,881	13,934	399
Depreciation	4,025	116	29	13,981	351	25	56,710	1,420	25
Taxes		25	6		84	6		212	4
Other		83	22		277	20		1,661	29
Period Costs	4,025	228	57	13,981	712	51	56,710	2,774	49
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	6,610	1,271	796	6,369	4,836	759	6,142	4,630	757
Ending Inventory Lumber - MBF	(6,842)	(5,256)	771	(6,842)	(5,256)	771	(6,842)	(5,256)	771
Total Cost of Sales	4,025	3,256	829	13,981	10,383	743	56,710	43,369	772
Gross Profit Contribution	4,025	166	41	13,981	1,421	102	56,710	5,644	100
Depreciation	4,025	0	0	13,981	0	0	56,710	0	0
Taxes		13	3		42	3		186	3
Other		2	0		2	0		9	0
Subtotal - Loc G&A	4,025	14	3	13,981	45	3	56,710	195	3
Selling Expense Allocation	4,025	135	34	13,981	481	34	56,710	1,917	34
G&A Expense Allocation		25	6		92	6		368	7
Total SG&A Expense	4,025	174	43	13,981	619	43	56,710	2,480	43
Misc Rev/(Exp)	4,025	(1)	(0)	13,981	2	0	56,710	16	0
Other Rev/(Exp)	4,025	(12)	(3)	13,981	(41)	(3)	56,710	(149)	(3)
Pre-Tax Profit/(Loss)	4,025	(21)	(5)	13,981	777	56	56,710	2,877	54

Lumber Recovery/Log: 1.91 | 1.89 | 1.90

Chips Recovery/Lumber MBF: 1.90 | 1.90 | 1.88

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EXHIBIT 482 P. 32

WY-CONF-00080

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 2008	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	4,627	2,291	534	9,573	4,883	544	36,296	20,931	634
Pallet - MBF	1,826	485	249	3,908	1,297	248	21,849	5,119	241
Closeout Claims		(29)	(5)		(80)	(4)		(122)	(3)
Net 3rd Party Sales - MBF	6,548	3,577	682	14,680	9,293	633	57,966	35,928	638
Inter-Division Sales									
Sales - Kamps	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CSC	91	78	1,054	134	135	1,009	422	389	922
Sales - Olympic Tidings	49	61	1,236	91	120	1,311	372	498	1,339
Sales - Intl Body Warehouse	5	(0)	0	0	(0)	0	183	262	1,428
Lbr Trans. to NWH Alderwood Lac.	0	(0)	0	20	21	1,053	55	54	1,019
Lbr Trans. to NWH Aldwd Lac.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Wash. Lac.	118	141	1,196	328	389	1,186	2,012	2,368	1,176
Lbr Trans. to NWH Ore. Lac.	0	(0)	0	0	(0)	0	44	45	1,017
Total Lumber Sales - MBF	5,476	3,841	701	15,257	9,952	652	60,998	39,434	646
Log Yard Sales									
3rd Party - MBF	1	0	371	18	7	403	650	25	683
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
NWH WA - MBF	4	3	694	315	443	697	4,364	2,582	691
NWH OR - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	5	3	610	333	187	647	4,215	2,590	680
Chip Sales - 3rd Party - BDT	3,649	259	80	2,996	241	90	22,638	2,023	91
Freight - 3rd Party		(168)	(54)		(168)	(56)		(196)	(9)
Chip Sales - Weyco - BDT	2,592	187	84	17,911	1,506	90	38,210	4,993	84
Freight - Weyco		(53)	(19)		(274)	(15)		(230)	(14)
Total Chip Sales - BDT	6,241	471	76	20,416	1,558	75	90,251	6,809	75
By-Products Sales	1,020	11	3	5,130	36	7	20,163	152	8
Freight - By-Products		(0)	0	-	(0)	0		(0)	0
Other Services		40	0		(0)	0		(0)	0
Total Sales Revenue - $000	5,476	4,216	770	15,257	11,687	766	60,998	48,985	803
Beg. Inventory - Logs	4,442	2,316	521	3,441	1,811	526	3,792	1,792	473
Purchased Logs - 3rd Party	4,997	2,297	460	14,029	8,312	593	54,918	23,830	434
Other Handling Costs		122	24		344	24		1,374	25
Purchased Logs - Weyco	11	7	620	332	194	584	2,269	1,201	529
Other Handling Costs		9	0		0	0		0	0
Tfr Transferred in	0	0	0	0	0	0	374	69	185
Logs Transferred in - NWH WA	3	0	24	239	126	529	1,068	1,023	958
Other Handling Costs		0	0		0	0		0	4
Logs Transferred in - NWH OR	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Raw Materials Available	9,447	4,819	510	18,041	9,129	506	62,469	28,795	461
Sawmill Conversion - MBF	3,784	1,775	469	13,213	6,180	468	54,323	25,833	476
Sawmill Conversion - Softwood	3,662		481	12,868		473	52,784		486
3rd Party Sales	1	1	559	13	9	763	831	206	241
Logs Transferred Out - NWH WA	4	3	694	333	443	667	4,364	2,582	691
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(3,778)	(2,161)	572	(3,778)	(2,161)	572	(3,778)	(2,161)	572
Total Net $/MBF Cost to Loc.	3,668	1,779	485	12,870	6,348	478	58,599	28,932	494

Lumber produced

EXHIBIT 482 P. 33

WY-CONF-00858

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 2000	Month			Quarter-To-Date			Year-To-Date		
	Volume	2000's	Average	Volume	2000's	Average	Volume	2000's	Average
Lumber Purchases	0	0	0	0	0	0	386	349	905
Lumber Transfers from Wash. Lac.	505	494	979	2,613	1,927	741	5,389	4,830	879
Freight from Wash. Lac.		1	1		3	1		10	2
Lumber Transfers from Ore. Lac.	34	32	1,331	38	53	1,396	52	55	1,056
Freight from Ore. Lac.		0	0		1	13		1	13
Custom Services		0	0		0	0		0	0
Total Outside Inventory Lbr	539	527	996	1,663	2,044	767	5,825	5,045	866
Variable Costs									
Operating Labor	2,784	231	88	13,215	1,284	97	54,335	5,234	96
Maintenance Labor		98	24		304	23		1,338	25
Payroll Loading		344	83		785	59		2,453	46
Operating Supplies		61	16		693	53		771	14
Maintenance Supplies		47	12		465	35		668	12
Natural Gas		47	12		401	30		295	5
Steam Use/Utilities		80	19		555	42		652	12
Rent		10	2		26	2		104	2
Outside Services		16	4		59	4		234	4
Outside Services - Drying	0	0	0	0	0	0	2,709	117	54
Fork Lease		5	1		10	1		97	2
Distributed Expenses		(9)	(2)		(17)	(1)		39	1
Miscellaneous		10	2		31	2		51	1
Total Variable Costs	2,784	1,021	370	13,215	3,993	334	54,335	12,004	221
Depreciation	5,476	139	24	15,257	361	24	60,998	1,376	23
Taxes		15	3		43	3		142	2
Other		122	24		355	23		1,396	23
Period Costs	5,476	277	50	15,257	759	50	60,998	2,775	45
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Avg. Inventory Lumber - MBF	7,927	5,660	700	5,342	4,553	796	6,812	5,251	771
Trailing Inventory Lumber - MBF	(5,964)	(5,170)	860	(5,964)	(5,170)	866	(5,964)	(5,170)	866
Total Cost of Sales	5,476	4,115	751	15,257	11,339	735	60,998	49,332	751
Gross Profit Contribution	5,476	312	57	15,257	851	55	60,998	3,153	52
Depreciation	5,476	0	0	15,257	0	0	60,998	0	0
Taxes		11	2		47	3		193	3
Other		0	0		1	0		7	0
Northwest - Lac. G&A	5,476	10	2	15,257	48	3	60,998	201	3
Selling Expense Allocation	5,476	86	16	15,257	245	16	60,998	963	16
G&A Expense Allocation		0	0		0	0		0	0
Total SG&A Expense	5,476	106	19	15,257	289	19	60,998	1,164	19
Misc Rent/Exp	5,476	1	0	15,257	2	0	60,998	12	0
Other Rent/Exp	5,476	(6)	(1)	15,257	(37)	(2)	60,998	(145)	(2)
Pre-Tax Profit/(Loss)	5,476	103	19	15,257	63	4	60,998	1,837	30
Lumber Recovery/Log		1.53			1.63			1.64	
Chip Recovery/Lumber MBF		1.65			1.54			1.66	

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 2001	1 Month			Quarter-To-Date			Year-To-Date		
1/8/2002 16:23	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	3,612	2,974,634	572	9,621	8,369,432	864	35,649	30,195,970	847
Pulp - MBF	1,864	237,738	223	4,545	1,030,694	231	11,572	4,490,488	233
Domestic/Claims		(22,457)	(7)		(64,590)	(7)		(184,638)	(5)
Net 3rd Party Sales - MBF	4,476	3,189,956	713	14,166	9,295,536	656	54,511	34,499,542	633
Inter Division Sales									
Sales - Rexam	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - CEC	0	0.000	0	110	109,917	998	524	514,795	983
Sales - Chiwis/Taiwan	18	12,239	679	72	44,399	1,236	326	436,661	1,341
Sales - Intl/Italy Warehouse	18	27,906	1,544	72	98,987	1,383	181	241,579	1,328
Lbr Trans. to NWH Midwest Loc.	7	6,383	988	23	22,036	1,002	56	53,258	961
Lbr Trans. to NWH Roland Loc.	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Wash. Loc.	186	98,997	534	250	274,066	1,097	1,690	1,969,991	1,166
Lbr Trans. to NWH Ore. Loc.	5	4,134	827	5	4,134	827	44	97,331	1,079
Total Lumber Sales - MBF	4,630	3,339,680	721	14,753	9,888,764	671	57,321	37,763,468	659
Log Yard Sales									
3rd Party - MBF	87	(1.697)	(0)	246	13,473	55	393	40,661	103
Weyco - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	1,493	843,543	580	5,148	3,200,352	622
NWH OR - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Total Log Sales - MBF	87	(0.697)	(8)	1,701	857,021	504	5,583	3,241,054	581
Chip Sales - 3rd Party - BDT	7	0.497	76	457	37,457	82	15,495	1,119,465	72
Freight - 3rd Party		(0.000)	0		3,250	7		(79,190)	(6)
Chip Sales - Weyco - BDT	3,387	255,167	75	11,825	890,752	75	42,843	3,439,120	80
Freight - Weyco		(40.942)	(12)		(141,913)	(12)		(361,324)	(17)
Total Chip Sales - BDT	3,394	214,723	63	12,281	789,545	64	58,337	3,917,871	70
By-Products Sales	1,803	8,736	5	3,324	26,793	8	14,903	121,639	8
Freight - By-Products		(3.500)	0		(9.500)	0		(8.000)	0
Other Services		4,468	0		(18,173)	0		(78,173)	0
Total Sales Revenue - MBF	4,630	3,566,828	770	14,753	11,543,916	783	57,321	45,035,830	786
Beg. Inventory - Logs	3,216	1,757,788	547	4,634	2,329,569	503	5,779	2,868,912	496
Purchased Logs - 3rd Party	2,210	1,000,015	456	9,239	4,186,908	472	40,424	18,979,617	470
Other Handling Costs		83,932	39		394,040	43		1,776,917	39
Purchased Logs - Weyco	34	17,073	501	144	72,468	510	841	427,070	508
Other Handling Costs		0.000	0		0.000	0		0.000	0
Tfr Transferred In	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred In - NWH WA	0	0.000	0	0	0.000	0	2,039	1,001,377	494
Other Handling Costs		0.000	0		0.000	0		0.000	0
Logs Transferred In - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Raw Materials Available	5,460	2,858,549	523	14,047	7,162,985	510	49,083	24,851,993	506
Sawmill Conversion - MBF	3,809	1,405,897	369	12,899	4,829,829	377	52,082	20,131,472	387
Sawmill Conversion - Softwo	2,753		511	9,736		497	40,957		492
3rd Party Sales	87	27,305	314	246	73,267	306	393	104,768	295
Logs Transferred Out - NWH WA	0	0.000	0	1,493	843,543	580	5,148	3,200,352	622
Logs Transferred Out - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Ending Inventory - Logs	(3,830)	(1,413,342)	369	(3,830)	(1,413,342)	369	(3,830)	(1,413,342)	369
Total Net Mill Cost to Loc.	2,848	1,433,387	505	11,477	5,748,643	501	46,448	23,436,539	504

All_mbburd

Arlington - Mill Summary Results

Northwest Hardwoods - Arlington

($000)

December 2001	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$ Average	Volume	$000's	$ Average	Volume	$000's	$ Average
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Wash. Loc.	399	407.947	1,024	1,382	1,374.688	1,056	7,314	6,657.094	910
Freight from Wash. Loc.		0.677	2		2.811	2		23.481	3
Lumber Transfers from Ore. Loc.	0	0.000	0	0	0.000	0	18	12.795	701
Freight from Ore. Loc.		0.000	0		0.000	0		0.637	35
Custom Services		0.000	0		(234.173)	0		(234.173)	0
Total Outside Incoming Lbr	399	408.624	1,025	1,382	1,143.325	828	7,332	6,461.834	881
Variable Costs									
Operating Labor	3,809	335.444	88	12,809	1,148.381	90	52,082	4,702.490	90
Maintenance Labor		80.202	21		267.296	21		1,056.192	20
Payroll Loading		258.377	68		824.894	64		2,712.766	52
Operating Supplies		48.318	13		155.971	12		637.143	12
Maintenance Supplies		43.023	11		136.414	10		482.546	9
Natural Gas		62.932	17		152.547	12		495.016	9
Electricity/Utilities		81.005	21		215.617	17		802.085	15
Rent		0.577	3		28.241	2		117.637	2
Outside Services		7.612	2		39.533	3		158.864	3
Outside Services - Drying	0	1.120	0	0	1.120	0	947	50.970	93
Fr on Lumber		4.360	1		18.785	1		73.814	1
Distributed Expenses		0.000	0		60.639	5		(13.179)	(0)
Miscellaneous		9.168	2		30.814	2		128.662	2
Total Variable Costs	3,809	943.333	247	12,809	3,070.951	240	52,082	11,454.168	221
Depreciation	4,630	95.832	21	14,703	320.905	22	57,321	1,350.666	24
Taxes		17.820	4		51.515	4		190.360	3
Other		90.872	20		307.228	21		1,243.428	22
Period Costs	4,630	203.724	44	14,703	683.198	47	57,321	2,784.454	49
Bad Debt Expense	0	0.000	0	0	0.000	0	0	0.000	0
Beg. Inventory Lumber - MBF	8,342	6,831.173	819	8,528	7,003.579	821	5,964	5,178.127	868
Ending Inventory Lumber - MBF	(7,774)	(6,183.916)	795	(7,774)	(6,183.916)	795	(7,774)	(6,183.916)	795
Total Cost of Sales	4,630	3,655.146	790	14,703	11,549.591	786	57,321	47,161.217	787
Gross Profit Contribution	4,630	(68.310)	(15)	14,703	(5.677)	(0)	57,321	1,864.920	33
Depreciation	4,630	0.000	0	14,703	0.000	0	57,321	0.000	0
Taxes		13.914	3		48.339	3		186.483	3
Other		0.000	0		0.055	0		0.155	0
Subtotal - Loc. G&A	4,630	15.914	3	14,703	48.394	3	57,321	186.582	3
Selling Expense Allocation	4,630	0.000	0	14,703	0.000	0	57,321	0.000	0
G&A Expense Allocation		0.000	0		0.000	0		0.000	0
Total SG&A Expense	4,630	15.914	3	14,703	48.394	3	57,321	186.582	3
Misc Rev/(Exp)	4,630	1.944	0	14,703	4.107	0	57,321	8.277	0
Other Rev/(Exp)	4,630	(11.742)	(3)	14,703	(57.263)	(4)	57,321	(180.089)	(3)
Pre-Tax Profit/(Loss)	4,630	(94.047)	(20)	14,703	(103.218)	(7)	57,321	1,506.293	26

Lumber Recovery/Log	1.31	1.32	1.27
Chips Recovery/Lumber MBF	0.89	0.96	1.09
Timber Profit/Loss	(0.909)	(0.909)	(0.830)
Results Profit	(94.047)	(103.218)	1,506.163
Difference	(0.000)	(0.000)	(0.000)

Not reviewed

EXHIBIT 482 P. 36

Logoss - Mill Summary Results

Northwest Hardwoods - Logoss

($000)

December - 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	1997	1996	Volume	1997	1996	Volume	1997	1996
3rd Party Sales									
Lumber - MBF	3,871	2,377	333	19,882	9,217	914	41,243	16,271	871
Poles - MBF	1,871	421	278	7,336	1,771	291	32,773	3,744	342
Pulpwood/Chips/Fuelwood		(17)	(2)		(67)	(2)		(218)	(2)
Net 3rd Party Sales - MBF	4,729	2,781	610	13,277	10,127	913	63,032	19,871	1,211
Inter-Division Sales									
Sales - Boise	887	42	2,014	859	42	1,914	843	206	1,017
Sales - CSC	23	9	478	23	73	948	972	424	942
Sales - Others	13	11	0.1	43	11	0.1	229	241	1,247
Sales - Tolmie	0	28	0	0	28	0	0	49	0
Sales - Willis Wardlaw	27	43	1,204	74	99	1,233	43	119	1,260
Sales - Woodcraft Sawmill	0	69	0	49	23	980	981	981	1,011
Lin Trans. to WWW Wholesale	43	11	1,271	413	234	1,778	1,027	1,869	761
Lin Trans. to WWW Chr. Co.	0	42	0	0	80	0	0	49	0
Total Lumber Sales - MBF	4,769	2,945	4,971	14,819	11,344	6,851	68,951	21,469	6,448
Log Trad Sales									
3rd Party - MBF	32	0	264	43	13	281	886	217	254
Wagers - MBF	0	11	0	0	98	0	0	89	0
Log Transfers									
WWW WA - MBF	0	49	0	0	89	0	949	247	178
WWW OR - MBF	0	81	0	0	49	0	0	84	0
Total Log Sales - MBF	32	0	264	49	13	281	1,865	554	454
Chip Sales - 3rd Party - BDT	3,991	302	0	10,007	1,643	96	46,978	4,078	92
Chip Sales - Wood Source - BDT	1,827	131	95	5,031	997	93	19,741	1,154	92
Chip Sales - Wagers - BDT	0	0	0	0	0	0	0	0	0
Total Chip Sales - BDT	4,841	412	95	15,731	2,640	94	66,721	5,216	94
Co-Products	3,872	24	83	6,014	69	89	23,502	251	93
Other Revenues	0	49	0	0	26	0	0	49	0
Total Gross Revenues - MBF	4,569	3,451	715	14,128	12,677	784	68,020	22,049	712
Log Inventory - Logs	1,256	964	117	3,428	1,617	499	2,214	1,123	499
Purchased Logs - 3rd Party	1,814	986	184	4,663	2,243	392	21,498	10,392	484
Purchased Logs - Wagers	169	71	423	422	179	423	1,943	849	439
Tim Transferred In - Fee	382	143	383	324	123	383	210	82	388
Tim Transferred In - Manitou	0	0	0	0	0	0	0	0	0
Logs Transferred In - WWW WA	1,234	894	744	1,998	1,099	575	1,899	1,099	573
Logs Transferred In - WWW OR	412	303	573	1,269	913	702	11,629	1,461	784
Total Available Log Volume	3,991	3,422	857	11,560	6,175	534	39,214	15,759	985
Inventory Conversion - MBF	3,672	1,289	348	12,458	4,297	34	31,861	13,726	333
Inventory Conversion - Scribner	2,228		574	5,387		212	26,478		524
3rd Party Sales	72	0	217	93	14	286	596	224	228
Logs Transferred Out - WWW WA	0	0	0	0	0	0	968	394	738
Logs Transferred Out - WWW OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	2,860	1,999	522	(2,465)	(1,515)	222	(1,689)	(1,019)	222
Total Net Mill Consumption	1,372	1,324	332	6,247	4,793	918	13,346	17,021	851
Lumber Purchases	0	0	0	0	0	0	29	0	1,877
Lumber Transfers from Chr. Co.	1,112	848	3.0	3,982	2,988	743	14,028	10,279	713
Pulpgrd Lumber Trans. from Chr.	0	29	29	0	97	32	0	333	32
Lumber Transfers from Wash. Loc.	98	73	0.1	327	224	0.1	2,468	2,020	0.1
Custom Services (Outside Vendors)	0	17	0	0	41	0	0	171	0
Total Trucks Assessing Site	1,210	969	761	4,158	3,351	775	17,324	12,810	742
Chip Trans. from Sources	631	478	9	1,574	958	14	14,878	639	18

WY CONF-03773

Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)

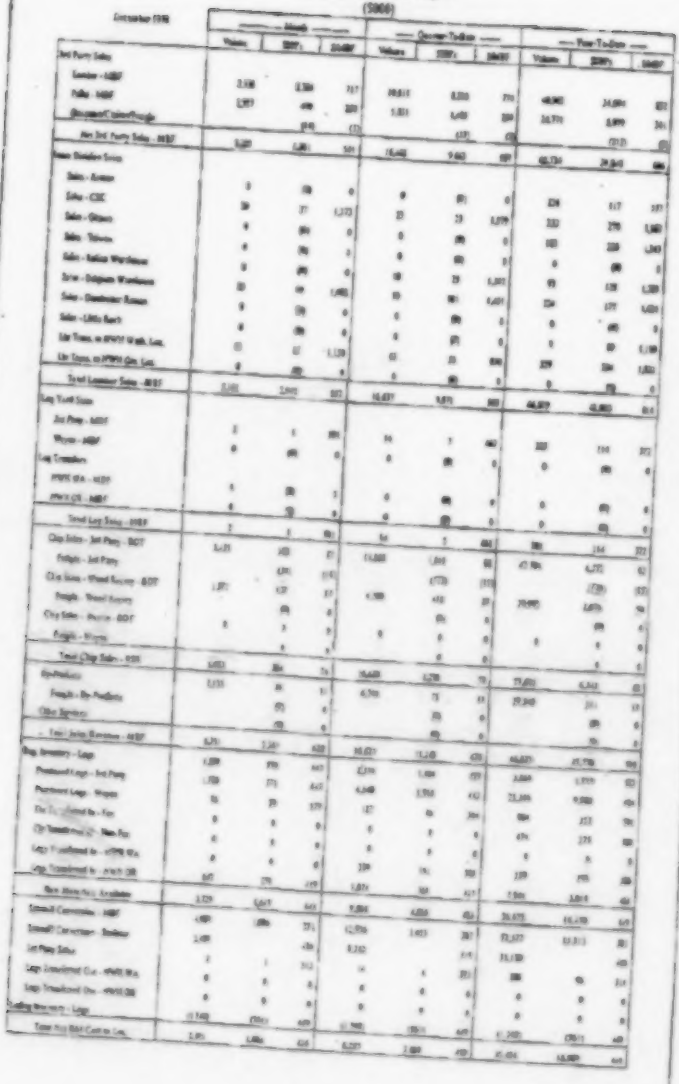
December - 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Variable Costs									
Operating Labor	3,478	234	67	12,438	806	65	51,865	3,548	68
Maintenance Labor		51	15		176	14		658	13
Payroll Loading		51	15		282	23		1,778	33
Temporary Services		2	1		20	2		31	1
Operating Supplies		61	17		142	12		578	11
Maintenance Supplies		59	17		188	15		566	11
Natural Gas		44	13		140	11		512	10
Electricity/Utilities		47	14		126	11		518	10
Rent		(1)	(0)		0	0		0	0
Outside Services		18	5		51	4		101	2
Outside Services - Drying		0	0		0	0		20	1
Communications		0	0		0	0		0	0
Fees on Chips/By-Prod		56	16		175	14		779	15
Miscellaneous		0	0		2	0		0	0
Total Variable Costs	3,478	623	179	(2,438)	2,329	171	51,865	9,867	190
Depreciation	4,760	(967)	(203)	14,328	(157)	(10)	60,931	1,193	12
Taxes		0	2		34	2		131	2
Other		1,121	236		822	51		1,944	26
Period Costs	4,760	172	36	14,328	699	43	60,931	2,969	43
Bad Debt Expense	0	(5)	0	0	(5)	0	0	(5)	0
Beg. Inventory Lumber - MBF	7,984	5,237	660	7,293	5,284	724	7,595	5,330	702
Ending Inventory Lumber - MBF	(7,844)	(5,475)	698	(7,844)	(5,475)	698	(7,844)	(5,475)	698
Total Cost of Sales	4,760	2,853	599	14,328	10,752	667	60,931	24,998	657
Gross Profit Contribution	4,760	551	116	14,328	1,958	119	60,931	6,863	180
Depreciation	4,760	27	16	14,328	93	6	60,931	166	2
Taxes		3	1		0	0		36	1
Other		181	36		227	16		283	5
Subtotal - Loc. G&A	4,760	209	59	14,328	227	20	60,931	527	9
G&A Expense Allocation	4,760	0	0	14,328	0	0	60,931	0	0
Selling Expense Allocation		44	7		242	15		1,625	26
Total SG&A Expense	4,760	253	52	14,328	598	35	60,931	2,312	35
Misc Rev/(Exp)	4,760	7	0	14,328	2	0	60,931	2	0
Other Rev/(Exp)	4,760	85	18	14,328	83	5	60,931	217	3
Pre-Tax Profit/(Loss)	4,760	384	81	14,328	1,443	89	60,931	4,876	74
Lumber Recovery/Log		1.54			1.51			1.53	
Chips Recovery/Lumber MBF		0.80			0.97			0.92	

EXHIBIT 482 P. 38

Export - Mill Summary Results

Northwest Hardwoods - Export

($000)



Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)

December 1998	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Ore. Loc.	1,810	1,801	719	4,882	3,172	681	18,779	12,740	694
Freight: Lumber Trans. from Ore	0	33	24	0	107	23	0	436	23
Lumber Transfers fm Wash. Loc.	47	62	1,326	94	108	1,153	734	787	1,044
Custom Services (Rebad Freight)	1,681	17	12	5,057	51	10	21,213	171	8
Total Outside Purchases Ltr	1,857	1,813	764	4,096	3,419	728	19,084	14,108	739
Chip Cons - Wood Recovery	1,577	138	86	4,780	414	87	39,991	3,677	89
Variable Costs									
Operating Labor	4,089	296	73	12,936	947	73	52,522	3,794	72
Maintenance Labor		48	12		176	13		705	13
Payroll Loading		159	40		573	29		1,706	33
Temporary Services		1	0		1	0		33	1
Operating Supplies		78	19		184	14		686	13
Maintenance Supplies		56	14		184	14		650	11
Natural Gas		67	17		111	9		387	7
Electricity/Utilities		47	12		133	12		564	11
Rent		2	1		16	1		58	1
Outside Services		11	3		41	3		175	3
Outside Services - Drying		0	0		3	0		36	1
Commissions		0	0		0	0		0	0
Distributed Expenses		0	0		0	0		(0)	(0)
Miscellaneous		2	1		9	1		39	1
Total Variable Costs	4,089	769	187	12,936	2,193	170	52,522	8,795	167
Depreciation	5,351	89	17	16,637	289	19	66,829	1,179	20
Amortization of Goodwill		26	6		111	7		443	7
Taxes		11	2		37	2		143	2
Other		105	20		348	20		1,391	21
Period Costs	5,351	239	45	16,637	787	47	66,829	3,314	50
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	12,391	9,873	732	15,534	11,718	760	7,844	5,675	953
Ending inventory Lumber - MBF	(12,445)	(9,433)	758	(12,445)	(9,433)	758	(12,445)	(9,433)	758
Total Cost of Sales	5,351	3,943	554	16,637	9,670	373	66,829	40,348	651
Gross Profit Contribution	5,251	(396)	(74)	16,637	1,625	98	66,829	6,972	104
Depreciation	5,351	8	1	16,637	24	1	66,829	93	1
Taxes		1	0		1	0		17	0
Other		19	4		58	3		318	5
Subtotal - Loc. G&A	5,351	28	5	16,637	82	5	66,829	428	6
G&A Expense Allocation	5,351	0	0	16,637	0	0	66,829	0	0
Selling Expense Allocation		371	69		730	44		2,364	35
Total SG&A Expense	5,351	399	74	16,637	812	49	66,829	2,792	42
Misc Rent/Exp	5,351	136	25	16,637	137	8	66,829	145	2
Other Rent/Exp	5,351	(0)	(0)	16,637	23	1	66,829	39	0
Pre-Tax Profit/(Loss)	5,351	133	25	16,637	973	58	66,829	4,299	64
Lumber Recovery/Logs		1.61			1.57			1.58	
Chips Recovery/Lumber MBF		0.86			0.91			0.90	

Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)

December 199	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	4,353	2,320	779	11,201	10,330	923	51,134	47,801	935
Pulp - MDF	1,272	254	200	4,344	1,259	290	23,892	6,618	277
Shipment/Claims		(17)	(2)		(72)	(2)		(218)	(2)
Total 3rd Party Sales - MBF	5,624	2,557	577	15,412	11,517	813	75,126	52,201	694
Inter-Division Sales									
Sales - Aurora	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CDC	0	(0)	0	24	17	840	227	210	922
Sales - Glenwood Springs	32	119	3,715	132	466	3,536	432	1,591	3,685
Sales - Medford, Wisconsin	16	29	1,800	34	102	3,000	220	659	2,995
Lbr Trans. to WWW Hillsboro, Lon.	0	(0)	0	0	(0)	0	0	2	650
Lbr Trans. to WWW Oakland, Lon.	0	(0)	0	250	115	460	644	296	459
Lbr Trans. to WWW Wash, Lon.	0	12	1,200	71	81	1,139	132	123	932
Lbr Trans. to WWW Ore. Lon.	0	(0)	0	0	(0)	0	0	(0)	0
Total Lumber Sales - MBF	4,177	2,771	664	16,023	12,298	837	76,309	54,954	661
Log Yard Sales									
3rd Party - MBF	3	1	307	11	6	551	179	46	261
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
WWW WA - MBF	0	(0)	0	0	(0)	0	0	(0)	0
WWW OR - MBF	0	(0)	0	192	170	841	193	170	841
Total Log Sales - MBF	3	1	307	203	164	839	452	217	480
Chip Sales - 3rd Party - BDT	3,746	264	109	12,334	1,253	98	53,268	5,120	96
Freight - 3rd Party		(66)	(18)		(337)	(27)		(958)	(18)
Chip Sales - Wood Energy - BDT	1,746	141	81	3,233	482	89	17,643	3,379	192
Freight - Wood Energy		(0)	0		(1)	0		(0)	0
Chip Sales - Weyco - BDT	0	(0)	0	0	(0)	0	1,196	94	79
Freight - Weyco		(0)	0		(0)	0		(10)	(8)
Total Chip Sales - BDT	5,592	430	77	15,567	1,877	84	72,106	8,584	119
By-Product	2,210	37	17	7,400	67	17	20,451	203	10
Freight - By-Product		(0)	0		(0)	0		(0)	0
Other Services	-	(0)	0		(0)	0		(0)	0
Total Sales Revenue - MBF	6,417	3,236	504	39,089	14,587	373	169,339	64,033	378
Beg. Inventory - Logs	3,260	1,332	411	5,434	2,189	404	3,242	1,161	358
Purchased Logs - 3rd Party	2,222	1,139	497	7,363	3,618	492	72,842	34,622	475
Other Handling Costs		0	0		0	0		0	0
Purchased Logs - Weyco	30	12	394	102	38	374	3,213	899	280
Other Handling Costs		0	0		0	0		0	0
Lbr Transferred In - Fac	0	0	0	0	0	0	0	0	0
Lbr Transferred In - Glen Flo	0	0	0	26	14	538	26	16	615
Logs Transferred In - WWW WA	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Logs Transferred In - WWW OR	695	251	361	1,818	912	502	5,827	4,825	828
Other Handling Costs		0	0		10	0		129	22
Raw Materials Available	6,218	2,999	482	15,031	6,781	451	85,289	39,855	467
Sawmill Conversion - MBF	3,992	1,211	303	12,280	3,481	284	55,242	17,572	318
Sawmill Conversion - Radiata	1,992		454	6,641		454	28,972		455
3rd Party Sales	3	1	154	11	6	515	119	42	356
Logs Transferred Out - WWW WA	0	0	0	0	0	0	0	0	0
Logs Transferred Out - WWW OR	0	0	0	201	139	696	193	139	696
Ending Inventory - Logs	(2,994)	(1,003)	451	(2,613)	(1,037)	400	(3,813)	(1,513)	401
Total Saw Mill Cost to Log	3,013	1,210	402	9,278	2,550	275	20,776	6,140	295

OCF 295

WY-CONF-00727

Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

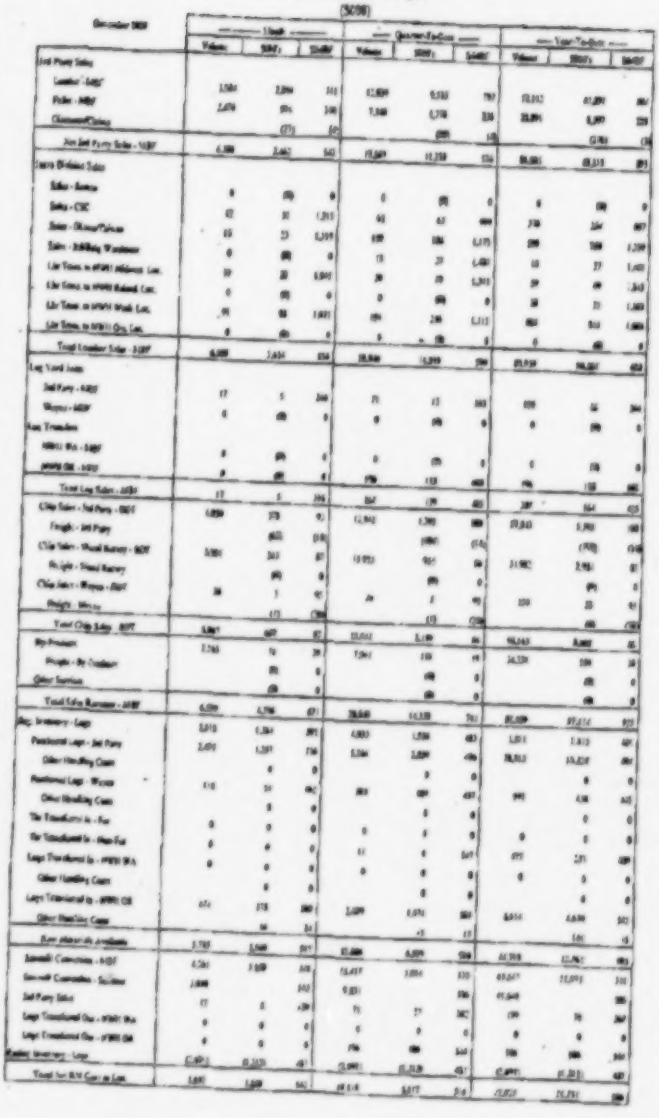
($000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Loc.	205	151	885	532	513	964	1,796	1,733	965
Freight from Wash. Loc.		0	2		1	1		2	1
Lumber Transfers from Ore. Loc.	1,369	894	653	4,298	2,918	679	10,016	11,909	661
Freight from Ore. Loc.		31	24		99	23		417	23
Custom Services (Kiln/ Freight)	1,723	13	7	5,219	45	9	20,726	207	14
Total Outside Lumber Usr	1,577	1,124	713	4,830	3,575	734	19,812	14,561	734
Chip Costs - Wood Recovery	1,706	146	83	5,726	476	82	27,618	2,303	83
Variable Costs									
Operating Labor	3,985	294	74	13,709	998	73	58,843	4,325	74
Maintenance Labor		57	14		192	14		742	13
Payroll Loading		233	59		689	44		1,961	33
Temporary Services		0	0		(9)	(0)		6	0
Operating Supplies		65	16		206	15		835	14
Maintenance Supplies		37	9		185	13		731	12
Natural Gas		37	9		117	9		390	7
Electricity/Utilities		99	11		154	11		581	10
Rent		11	3		29	-2		68	1
Outside Services		19	5		42	3		169	2
Outside Services - Drying	0	0	0	0	0	0	4,066	394	5
Communications		0	0		0	0		0	0
Distributed Expenses		0	0		0	0		0	0
Miscellaneous		7	2		17	1		60	1
Total Variable Costs	3,995	834	216	13,709	2,548	186	58,843	10,115	172
Depreciation	6,117	117	19	20,029	383	19	80,589	1,493	19
Amortization of Goodwill		34	6		111	6		443	5
Taxes		14	2		46	2		167	2
Other		137	22		479	21		1,978	20
Period Costs	6,117	302	49	20,029	963	48	80,589	3,661	45
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	11,583	8,111	700	11,946	8,692	728	12,445	9,133	734
Ending Inventory Lumber - MBF	(10,483)	(7,916)	755	(10,483)	(7,916)	755	(10,483)	(7,916)	755
Total Cost of Sales	6,117	3,881	621	20,029	12,697	634	80,589	50,054	621
Gross Profit Contribution	6,117	486	66	20,029	1,800	90	80,589	6,370	89
Depreciation	6,117	0	0	20,029	0	0	80,589	0	0
Taxes		2	0		6	0		27	0
Other		(0)	(0)		(0)	(0)		93	1
Indirect - Loc. G&A	6,117	2	0	20,029	5	0	80,589	127	2
G&A Expense Allocation	6,117	0	0	20,029	0	0	80,589	0	0
Selling Expense Allocation		191	32		640	32		2,578	32
Total SG&A Expense	6,117	193	31	20,029	646	32	80,589	2,705	34
Misc. Rev#/Exp#	6,117	8	1	20,029	12	1	80,589	17	0
Other Rev#/Exp#	6,117	(7)	(1)	20,029	(3)	(0)	80,589	(23)	(0)
Pre-Tax Profit/(Loss)	6,117	313	51	20,029	1,171	58	80,589	4,171	52
Lumber Recovery/Log		1.57			1.55			1.51	
Chip Recovery/Lumber MBF		0.76			0.93			0.93	

Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)



Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)

December 2005	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from Wash. Loc.	354	310	1,036	934	759	1,033	2,923	2,717	1,016
Freight from Wash. Loc.		0	2		0	1		3	1
Lumber Transfers fom Ore. Loc.	1,242	724	961	3,955	2,518	693	13,399	10,449	673
Freight from Ore. Loc.		30	24		93	24		371	24
Custom Services (Broker Freight)	1,833	14	10	4,371	61	13	18,684	264	14
Total Operable Inventory Libr	1,446	1,093	749	3,546	2,334	785	18,356	13,864	956
Chip Costs - Wood Recovery	3,581	342	86	11,055	965	86	34,582	2,955	84
Variable Costs									
Operating Labor	4,765	313	66	13,407	1,003	66	63,649	4,386	69
Maintenance Labor		60	13		194	13		803	13
Payroll Loading		107	23		338	23		1,760	28
Temporary Services		0	0		(0)	(0)		14	0
Operating Supplies		52	11		185	12		832	13
Maintenance Supplies		37	12		160	10		681	11
Natural Gas		60	13		208	13		655	10
Electricity/Utilities		43	9		136	9		533	8
Rent		0	1		17	1		91	1
Outside Services		11	3		46	3		173	3
Outside Services - Drying	0	0	0	0	0	0	2,914	181	2
Communications		0	0		0	0		1	0
Purchased Expenses		0	0		0	0		1	0
Miscellaneous		0	1		17	1		67	1
Total Variable Costs	4,765	777	163	15,417	2,369	154	67,647	10,541	159
Depreciation	6,310	518	34	20,640	428	22	82,959	1,991	20
Amortization of Goodwill		42	6		129	6		451	5
Taxes		19	3		53	3		171	3
Other		129	17		491	25		1,833	22
Period Costs	6,310	598	61	20,640	1,112	55	82,959	4,165	50
Mill Idle Expense	0	0	0	0	0	0	0	0	0
Chg. Inventory Lumber - NET	8,510	6,578	768	9,727	7,174	738	98,483	7,995	733
Finished Inventory Lumber - 1/31	(8,427)	(6,611)	767	(8,427)	(6,611)	767	(8,427)	(6,611)	767
Total Cost of Sales	6,658	4,734	677	20,640	12,591	640	82,959	13,621	647
Gross Profit Contribution	6,550	223	34	20,640	1,276	64	82,959	3,951	64
Depreciation	6,550	0	0	20,640	0	0	82,959	0	0
Taxes		1	0		4	0		22	0
Other		0	0		0	0		0	0
Indirect - Exc. G&A	6,550	1	0	20,640	3	0	82,959	22	0
G&A Expense Allocations	6,550	0	0	20,640	0	0	82,959	0	0
Million Expense Allocation		96	14		282	13		1,045	13
Total SG&A Expense	6,550	96	14	20,640	286	13	82,959	1,073	13
Misc Non-E Exp	6,550	0	0	20,640	1	0	82,959	40	0
Other Non-E Exp	6,550	(1)	(0)	20,640	(7)	(0)	82,959	(20)	(0)
Pre-Tax Profit/(Loss)	6,550	126	19	20,640	1,004	50	82,959	4,429	53
Lumber Recovery/Log		0.57			0.56			0.53	
Chip Recovery/Lumber & GP		0.06			0.01			0.01	

Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)

December 2001 1/8/2002 16:31	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	4,626	3,414,332	738	91,330	8,932,608	778	45,505	38,987,398	839
Pallet - MBF	1,824	354,889	195	7,137	1,444,074	202	28,983	6,505,361	213
Discounts/Claims		(73,297)	(6)		(73,846)	(6)		(277,377)	(9)
Net 3rd Party Sales - MBF	6,450	3,348,916	580	18,730	10,302,836	550	75,371	44,155,766	586
Inter-Division Sales									
Sales - Reman	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - CSC	0	(0.262)	0	41	28.785	725	223	174.131	948
Sales - Okawa/Taiwan	37	75,496	1,375	148	193,827	1,307	519	679,154	1,332
Sales - Ind/Mrtg Warehouse	17	33,031	1,610	52	77,389	1,506	122	182,323	1,491
Lbr Trans. to NWH Midwest, Loc.	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Roland, Loc.	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Wash, Loc.	39	84,738	1,972	413	482,433	1,372	1,013	1,291,825	1,224
Lbr Trans. to NWH Grv, Loc.	0	(0.960)	0	0	(0.000)	0	3	4,868	1,465
Total Lumber Sales - MBF	6,598	3,924,707	595	19,374	11,066,531	572	77,254	46,526,847	602
Log Yard Sales									
3rd Party - MBF	66	11,399	187	188	32,667	170	594	125,042	210
Weyco - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
NWH OR - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Total Log Sales - MBF	66	11,399	187	188	32,667	170	594	125,042	210
Chip Sales - 3rd Party - BDT	4,483	324,864	72	14,573	1,056,742	73	68,026	4,965,061	73
Freight - 3rd Party		(65,622)	(15)		(206,064)	(14)		(777,851)	(11)
Chip Sales - Wood Recovy - BDT	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Freight - Wood Recovy		(0.000)	0		(0.000)	0		(0.000)	0
Chip Sales - Weyco - BDT	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Freight - Weyco		(0.000)	0		(0.000)	0		(0.000)	0
Total Chip Sales - BDT	4,483	259,241	58	14,573	850,727	58	68,026	4,086,162	60
By-Products	2,496	40,832	17	8,016	127,930	16	33,933	648,521	19
Freight - By-Products		(0.000)	0		(0.000)	0		(0.000)	0
Other Services		(0.000)	0		(0.000)	0		(0.000)	0
Total Sales Revenue - MBF	6,598	4,236,050	642	19,374	12,077,260	624	77,254	51,373,772	665
Beg. Inventory - Logs	2,102	913,605	435	3,180	1,315,951	420	2,691	1,311,618	487
Purchased Logs - 3rd Party	2,403	1,061,066	439	7,334	3,112,996	424	32,735	14,613,600	446
Other Handling Costs		0.000	0		2,466	0		8,061	0
Purchased Logs - Weyco	200	131,273	648	1,003	418,989	418	3,610	1,572,794	436
Other Handling Costs		0.000	0		0.000	0		0.000	0
Tfr Transferred In - Fee	0	0.000	0	0	0.000	0	0	0.000	0
Tfr Transferred In - Non-Fee	0	0.000	0	0	0.000	0	453	254,821	563
Logs Transferred In - NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Logs Transferred In - NWH OR	0	0.000	0	0	0.000	0	1,819	1,119,678	564
Other Handling Costs		42,582	0		128,720	0		233,328	71
Raw Materials Available	4,810	2,154,526	448	11,496	4,998,317	435	42,717	19,997,931	468
Sawmill Conversion - MBF	4,444	1,748,040	393	14,602	4,974,858	270	61,859	18,966,522	307
Sawmill Conversion - Sawlogs	2,823		442	9,201		433	40,195		470
3rd Party Sales	60	19,446	324	188	60,417	321	594	201,287	339
Logs Transferred Out - NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred Out - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Ending Inventory - Logs	(1,525)	(687,042)	451	(1,525)	(687,042)	451	(1,525)	(687,042)	451
Total Net RM Cost/n Loc	3,481	1,267,484	436	9,571	4,111,275	430	40,792	19,125,889	469

EXHIBIT 482 P. 45

Eugene - Mill Summary Results

Northwest Hardwoods - Eugene

($000)

December 2001	Month			Quarter To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Wash. Loc.	267	293.315	1,094	917	1,015.561	1,107	3,054	3,226.031	1,056
Freight from Wash. Loc.		0.000	0		0.453	0		2.723	1
Lumber Transfers fm Ore. Loc.	291	204.223	699	2,417	1,573.434	651	14,344	9,349.346	652
Freight from Ore. Loc		0.338	77		67.864	28		591.341	27
Custom Services (Inbnd Freight)	374	0.000	0	2,995	0.000	0	17,144	0.000	0
Total Outside Incoming Llr	519	503.716	985	3,334	2,662.352	798	17,418	13,569.048	779
Chip Contr - Wood Recovery	0	0.000	0	0	0.000	0	(22)	(3.919)	58
Variable Costs									
Operating Labor	4,444	289.901	65	14,682	972.279	66	61,895	4,146.883	67
Maintenance Labor		52.994	12		180.662	12		747.627	12
Payroll Loading		132.339	30		463.934	32		1,886.626	30
Temporary Services		0.000	0		0.000	0		0.000	0
Operating Supplies		63.497	14		191.361	13		727.807	12
Maintenance Supplies		17.089	4		53.923	4		464.951	8
Natural Gas		49.544	11		172.639	12		678.443	11
Electricity/Utilities		69.901	16		167.822	11		535.454	9
Rent		13.879	3		41.637	3		128.138	2
Outside Services		16.613	4		37.046	3		148.179	2
Outside Services - Drying	0	0.000	0	0	0.000	0	0	0.000	0
Freight on Lumber		8.960	2		33.250	2		192.880	3
Distribution Expenses		0.000	0		0.013	0		0.042	0
Miscellaneous		4.936	1		13.630	1		58.425	1
Total Variable Costs	4,444	720.257	162	14,682	2,345.541	160	61,895	9,714.460	157
Depreciation	4,368	131.980	23	19,374	430.226	22	77,294	1,668.639	22
Amortization of Goodwill		34.022	5		119.680	6		442.870	6
Taxes		13.207	2		47.415	2		214.702	3
Other		135.264	29		460.141	24		1,992.893	26
Period Costs	4,368	313.493	48	19,374	1,058.932	55	77,294	4,218.996	55
Bad Debt Expense	0	0.000	0	0	0.000	0	0	0.000	0
Beg. Inventory Lumber - MBF	11,796	8,059.865	683	11,554	8,164.677	707	8,632	6,611.321	767
Ending Inventory Lumber - MBF	(10,117)	(6,947.188)	687	(10,117)	(6,947.188)	687	(10,117)	(6,947.188)	687
Total Cost of Sales	6,538	3,919.426	594	19,374	11,599.518	599	77,294	44,269.980	599
Gross Profit Contribution	6,598	316.431	48	19,374	707.759	36	77,294	5,188.672	66
Depreciation	6,598	0.000	0	19,374	0.000	0	77,294	0.000	0
Taxes		0.419	0		0.930	0		7.831	0
Other		0.000	0		0.000	0		0.000	0
Subtotal - Loc. G&A	6,598	0.419	0	19,374	0.930	0	77,294	7.831	0
G&A Expense Allocation	6,598	0.000	0	19,374	0.000	0	77,294	0.000	0
Selling Expense Allocation		0.000	0		0.000	0		0.000	0
Total SG&A Expense	6,598	0.419	0	19,374	0.930	0	77,294	7.831	0
Misc Rev/(Exp)	6,598	17.450	3	19,374	38.079	2	77,294	44.470	1
Other Rev/(Exp)	6,598	(0.521)	(0)	19,374	(3.430)	(0)	77,294	(22.835)	(0)
Pre-Tax Profit/(Loss)	6,598	332.941	50	19,374	734.486	38	77,294	5,122.299	66
Lumber Recovery/Logs		1.57			1.56			1.56	
Chips Recovery/Lumber MBF		1.01			0.99			0.97	
Timber Pre - xx Scale		21.953			21.599			21.301	
Total		354.899			758.376			5,143.801	
G&S Total		354.899			758.376			5,143.801	
Diff		(0.000)			(0.000)			(0.000)	

WY-CONF-01566

EXHIBIT 482 P. 46

Garibaldi - Mill Summary Results

Northwest Hardwoods - Garibaldi

($000)

December - 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	1997	1996	Volume	1997	1996	Volume	1997	1996
3rd Party Sales									
Lumber - MBF	0	(5)	0	0	0	0	0	0	0
Pulp - MBF	833	393	345	2,881	497	342	9,864	1,488	342
Miscellaneous/Cutoff adj to		(2)	(3)		(9)	(3)		(24)	(3)
Flat 3rd Party Sales - MBF	833	391	342	2,881	488	339	9,864	1,464	339
Intra-Division Sales									
Sales - Bureau	0	(9)	0	0	(9)	0	0	(9)	0
Sales - CEC	0	(5)	0	0	(5)	0	0	(5)	0
Sales - Chetco	0	(9)	0	0	(9)	0	0	(9)	0
Sales - Tenino	0	(8)	0	0	(8)	0	0	(8)	0
Lbr Trans. to NWH Wash. Loc	0	(4)	0	0	(4)	0	0	(8)	0
Lbr Trans. to NWH Ore. Loc	1,132	812	760	3,902	2,909	725	11,839	10,179	725
Total Lumber Sales - MBF	1,965	1,164	1,102	6,784	3,397	1,064	21,703	12,643	1,064
Log Yard Sales									
3rd Party - MBF	0	0	0	1	0	(99)	41	0	798
Weyco - MBF	0	(9)	0	0	(9)	0	0	(9)	0
Log Transfers									
NWH WA - MBF	0	(5)	0	0	(9)	0	0	(9)	0
NWH OR - MBF	0	(9)	0	0	(9)	0	0	(9)	0
Sales - MBF	0	0	0	1	0	(99)	41	0	798
Chip Sales - 3rd Party - BDT	2,402	766	0	8,333	872	0	28,833	3,728	0
Chip Sales - Weyco - BDT	0	(2)	0	0	1	96	331	77	96
Total Chip Sales - BDT	2,402	766	0	8,333	873	96	29,164	3,805	96
By-Products	1,331	1	0	4,202	16	0	11,000	120	0
Total Sales Revenue - MBF	3,733	1,931	1,102	6,784	4,287	1,064	32,000	16,178	1,064
Beg. Inventory - Logs	0	319	0	0	0	0	0	0	0
Purchased Logs - 3rd Party	1,014	0	0	4,331	2,291	0	14,084	7,633	0
Purchased Logs - Weyco	0	0	0	0	0	0	0	0	0
Per Transferred In - Fac	0	0	0	0	0	0	0	0	0
Per Transferred In - Non-Fac	0	0	0	0	0	0	0	0	0
Logs Transferred In - NWH WA	0	0	0	0	0	0	0	0	0
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Raw Materials Available	1,014	319	0	4,331	2,291	0	14,084	7,633	0
Sawmill Conversion - MBF	1,965	1,164	1,102	6,784	3,397	1,064	21,703	12,643	1,064
Sawmill Conversion - Residuals	1,331		0	4,202		0	13,671		0
3rd Party Sales	0	0	0	1	0	(99)	41	0	798
Logs Transferred Out - NWH WA	0	0	0	0	0	0	0	0	0
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(319)	(319)	0	(319)	(319)	0	(319)	(319)	0
Total Net Mill Conversion Loss	1,014	319	0	4,331	2,291	0	14,084	7,633	0
Lumber Positions	0	0	0	0	0	0	0	0	0
Lumber Transfers from NWH WA	0	0	0	0	0	0	0	0	0
Lumber Transfers from NWH OR	0	0	0	0	0	0	0	0	0
Custom Services (Sales/Receipts)	0	0	0	0	0	0	0	0	0
Total Sellable Inventory Lbr	0	0	0	0	0	0	0	0	0

WY-COMP-00284

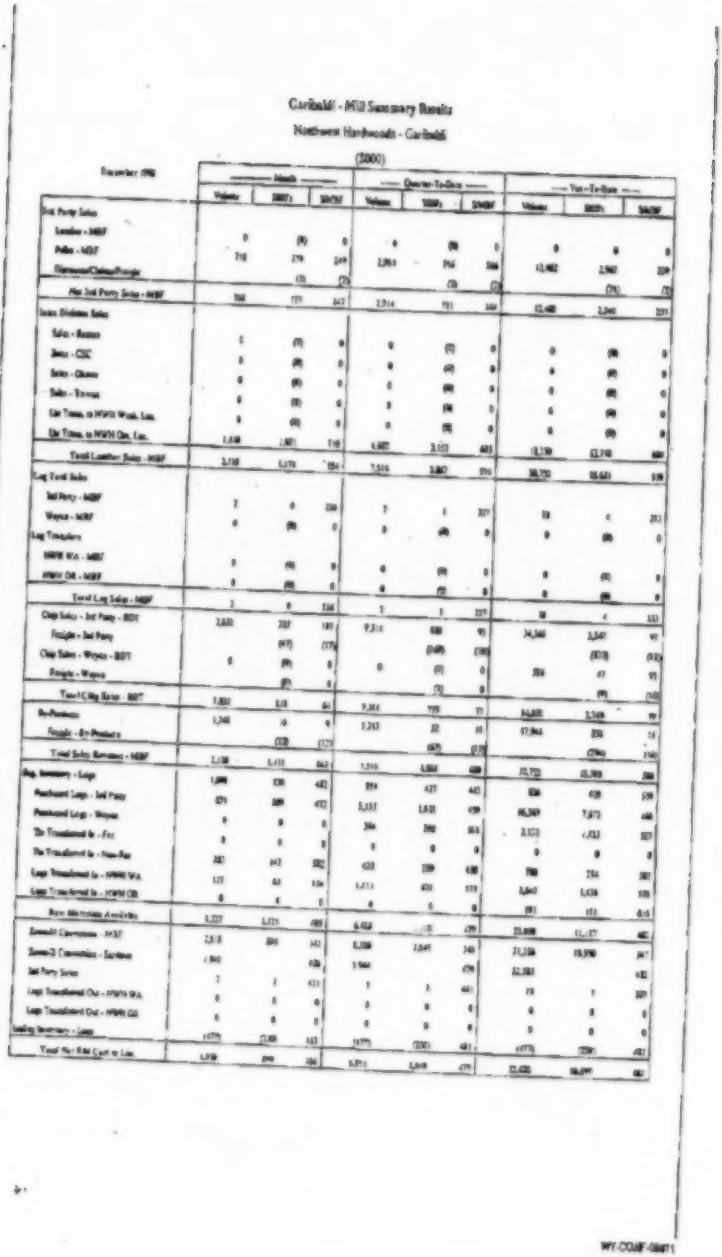
Garibaldi - Mill Summary Results

Northwest Hardwoods - Garibaldi

($000)

	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Variable Costs									
Operating Labor	1,944	83	43	4,810	200	41	24,977	1,199	48
Maintenance Labor		23	12		77	16		322	13
Payroll Loading		34	18		130	27		585	24
Temporary Services		4	2		12	2		72	3
Operating Supplies		24	12		83	17		224	9
Maintenance Supplies		34	17		138	29		332	14
Mineral Oil		0	0		0	0		0	0
Electricity/Utilities		17	9		56	12		167	7
Rent		3	2		6	1		33	1
Outside Services		11	6		11	2		34	1
Outside Services - Shipping		0	0		0	0		0	0
Communications		0	0		0	0		0	0
Fee on Chipping Prod		42	22		206	43		741	30
Miscellaneous		0	0		1	0		11	1
Total Variable Costs	1,944	279	143	4,810	922	192	24,977	3,647	146
Depreciation	1,944	18	9	4,810	92	19	24,977	421	17
Taxes		7	4		11	2		31	1
Other		31	16		131	27		831	33
Period Costs	1,944	72	37	4,810	333	69	24,977	1,227	49
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - MBF	757	61	31%	531	39	8%	948	73	0%
Ending Inventory Lumber - MBF	(569)	(70)	31%	(569)	(70)	8%	(569)	(70)	0%
Total Cost of Sales	1,944	1,116	574	4,794	3,019	630	24,956	13,997	561
Gross Profit Contribution	1,944	220	113	4,794	677	141	24,956	3,073	123
Depreciation	1,944	0	0	4,794	0	0	24,956	0	0
Taxes		0	0		0	0		0	0
Other		0	0		0	0		0	0
Subtotal - Exc. G&A	1,944	0	0	4,794	0	0	24,956	0	0
Selling Expense	1,944	0	0	4,794	0	0	24,956	0	0
Selling Expense Allocation		0	0		0	0		0	0
Total SG&A Expense	1,944	0	0	4,794	0	0	24,956	0	0
Other Rent/(Exp)	1,944	0	0	4,794	0	0	24,956	7	0
Other Non-Mfg Exp	1,944	1	1	4,794	1	0	24,956	(28)	(1)
Pre-Tax Profit/(Loss)	1,944	219	113	4,794	676	141	24,956	3,054	122
Lumber Recovery/Log		1.22			1.14			1.25	
Chip Recovery/Lumber MBF		6.13			5.29			5.15	

WY-CONF-00898



Carlsbild - Mill Summary Results

Northwest Hardwoods - Carlsbild

(2000)

December 99	Month			Quarter-To-Date			Year-To-Date		
	Volume	$/MBF	$/MCF	Volume	$/MBF	$/MCF	Volume	$/MBF	$/MCF
3rd Party Sales									
Lumber - MBF	0	(0)	0	0	(0)	0	0	0	0
Pulp - MBF	710	279	269	2,964	342	366	13,482	2,942	359
Chipwood/Sales/Freight		(3)	(29)		(3)	(29)		(29)	(29)
Mar 3rd Party Sales - MBF	710	277	267	2,964	339	337	13,482	2,913	329
Inter-Division Sales									
Sales - Boise	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CSC	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Chetco	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Tenino	0	(0)	0	0	(0)	0	0	(0)	0
Elk Trans. to NWH Wash. Log.	0	(0)	0	0	(0)	0	0	(0)	0
Elk Trans. to NWH Ore. Log.	0	(0)	0	0	(0)	0	0	(0)	0
Total Lumber Sales - MBF	1,438	1,301	718	4,667	3,103	483	13,139	12,710	484
Log Total Sales									
3rd Party - MBF	0	0	0	0	0	0	0	0	0
Weyco - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
NWH WA - MBF	0	(0)	0	0	(0)	0	0	(0)	0
NWH OR - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	0	0	0	0	0	0	0	(0)	0
Chip Sales - 3rd Party - BDT	2,833	207	103	9,314	188	93	34,340	2,547	93
Freight - 3rd Party		(47)	(23)		(169)	(84)		(833)	(83)
Chip Sales - Weyco - BDT	0	(0)	0	0	(0)	0	356	47	93
Freight - Weyco		(0)	0		(0)	0		(6)	(16)
Total Chip Sales - BDT	2,833	115	64	9,314	110	11	34,696	3,549	99
By-Products	1,248	0	0	3,263	22	15	17,964	256	14
Freight - By-Products		(23)	(17)		(67)	(51)		(294)	(16)
Total Sales Revenue - MBF	2,138	1,111	662	7,930	3,064	488	72,772	15,369	386
Beg. Inventory - Logs	1,866	330	432	959	427	445	836	438	524
Purchased Logs - 3rd Party	871	389	432	3,331	1,031	459	46,249	7,973	466
Purchased Logs - Weyco	0	0	0	304	298	814	2,123	1,532	527
Elk Transferred In - Ore	0	0	0	0	0	0	0	0	0
Elk Transferred In - Non-Rep	283	143	282	433	259	618	786	254	302
Logs Transferred In - NWH WA	127	63	126	1,211	431	119	3,843	1,436	378
Logs Transferred In - NWH OR	0	0	0	0	0	0	181	101	616
Raw Materials Available	3,227	1,171	483	6,438	1,431	479	23,888	11,137	466
Sawmill Conversion - MBF	2,818	894	442	8,338	2,641	340	31,256	10,976	347
Sawmill Conversion - Scribner	2,860		626	9,960		479	32,583		432
3rd Party Sales	2	2	433	2	2	433	15	7	507
Logs Transferred Out - NWH WA	0	0	0	0	0	0	0	0	0
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(477)	(2,000)	163	(477)	(2,000)	481	(477)	(2,000)	481
Total Raw Mat Cost to Log	5,203	894	384	9,823	2,643	479	32,396	10,977	482

WY/COMP/0001

Carlisle - Mill Sweepery Results

Northwest Hardwoods - Carlisle

($000)

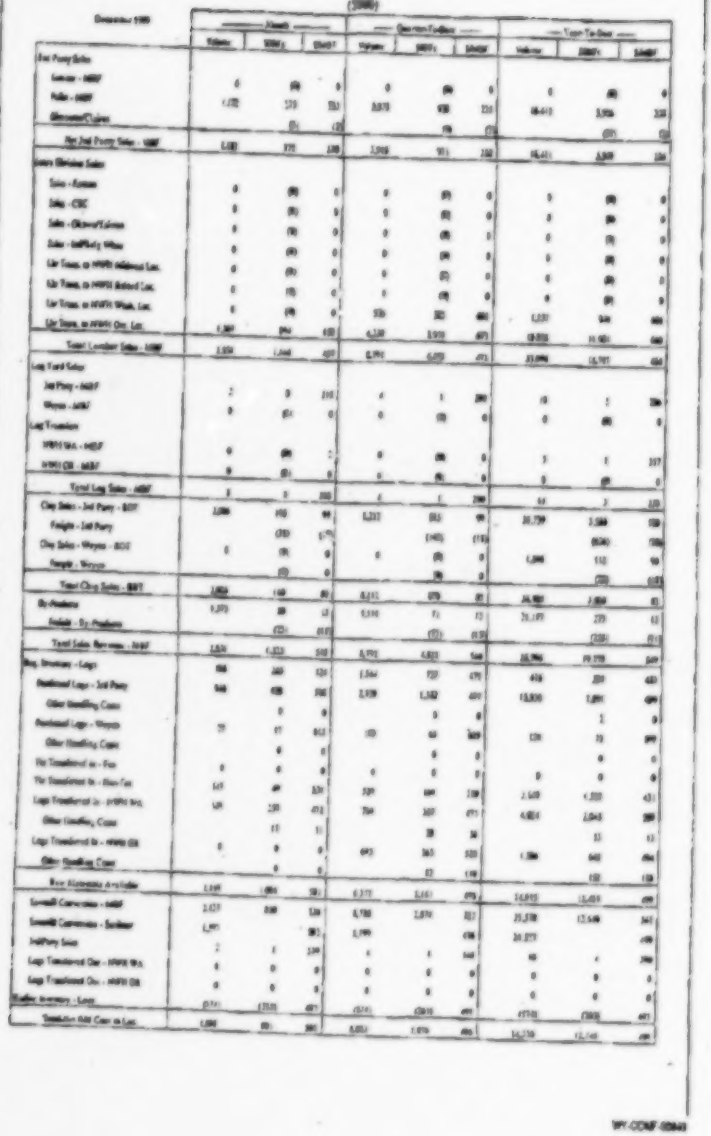
	Month			Quarter-to-Date			Year-To-Date		
	Variance	2008	Average	Variance	2008	Average	Variance	2008	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from YPW WA	0	0	0	0	0	0	0	0	0
Lumber Transfers from YPW OR	0	0	0	0	0	0	0	0	0
Custom Sawmill (Bailey Freight)	0	0	0	0	0	0	0	0	0
Total Outside Sawmilling Use	0	0	0	0	0	0	0	0	0
Variable Costs							0	0	0
Sawmill Labor	3,618	453	91	8,369	226	39	31,336	1,209	43
Millwright Labor		73	15		90	15		334	11
Forklift Loading		47	10		170	15		391	19
Sawmill Supplies		20	4		30	6		99	3
Operating Supplies		32	7		24	3		102	3
Maintenance Supplies		36	16		66	18		272	12
Hazard Pay		0	0		0	0		0	0
Electricity/Utilities		22	5		36	4		147	3
Rent		1	1		1	1		22	1
Outside Services		3	1		6	1		34	1
Outside Services - Drying		0	0		0	0		0	0
Communications		0	0		0	0		0	0
Employee Expenses		0	0		0	0		1	0
Miscellaneous		1	1		0	1		24	1
Total Variable Costs	3,618	238	79	8,369	772	93	31,336	3,160	101
Depreciation	2,139	30	14	7,556	645	19	28,772	233	11
Taxes		2	1		18	1	-	31	1
Other		41	19		143	10		633	20
Period Costs	2,139	81	39	7,556	797	29	28,772	1,331	43
Net Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - AVG	748	72	104	61	11	242	360	31	257
Ending Inventory Lumber - AVG	(810)	(777)	104	(810)	(777)	104	(810)	(777)	104
Total Cost of Sales	2,119	1,214	833	7,806	2,369	388	28,782	15,478	496
Gross Profit Contribution	2,119	777	139	7,556	899	488	28,782	1,888	484
Depreciation	2,139	0	0	7,556	0	0	28,772	0	0
Taxes		0	0		0	0		0	0
Other		0	0		0	0		0	0
Edmond - Loc G&A	2,139	0	0	7,556	0	0	28,772	0	0
Selling Expenses	2,119	0	0	7,556	0	0	28,772	0	0
Selling Expense Allocation		176	84		692	28		668	23
Total SG&A Expenses	2,139	176	84	7,556	692	28	28,772	668	23
Misc. Rent/Exp	2,139	176	0	7,556	0	0	28,772	0	0
Other Rent/Exp	2,139	0	0	7,556	0	0	28,772	1	0
Pre-Tax Profit/Loss	2,139	601	84	7,556	207	27	28,772	1,219	42
Lumber Recovery/Log		1.42			1.48			1.39	
Chips Recovery/Lumber MBF		1.88			1.83			1.83	

WY-CONF-00872

Garfield - Mill Summary Recap

Northwest Hardwoods - Garfield

($000)



Confidential - MBI Summary Results

Northwest Hardwoods - Confidential

($000)

	Month			Quarter-To-Date			Year-To-Date		
	Values	MBF	Average	Values	MBF	Average	Values	MBF	Average
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from WWE Div.	0	0	0	0	0	0	0	0	0
Lumber Transfers from WWE Div.	0	0	0	0	0	0	0	0	0
Custom Services (Market Analysis)	0	0	0	0	0	0	0	0	0
Total Outside Company Lbr	0	0	0	0	0	0	0	0	0
Variable Costs									
Operating Labor	3,427	89	39	9,769	259	38	32,979	1,294	26
Maintenance Labor		34	14		97	13		383	15
Payroll Taxes/Fringe		31	22		82	18		299	12
Temporary Services		10	7		43	7		164	3
Operating Supplies		23	9		56	6		201	3
Maintenance Supplies		26	8		68	7		201	6
Natural Gas		0	4		0	0		0	0
Electricity/Utilities		43	9		45	7		166	3
Rent		1	1		4	0		12	1
Outside Services		3	0		2	0		41	0
Outside Services - Drying		0	0		0	0		0	0
Customer Issues		0	0		0	0		0	0
Environmental Expenses		0	0		0	0		0	0
Miscellaneous		1	1		0	0		35	1
Total Variable Costs	3,427	320	104	9,769	659	99	32,979	3,131	94
Depreciation	2,331	41	18	6,993	142	17	26,986	557	16
Taxes		2	1		12	1		43	1
Other		44	19		131	18		541	15
Period Costs	2,331	91	37	6,993	285	31	26,986	1,171	32
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Org. Investment Expense - MBF	308	116	226	433	93	224	833	231	206
Global Inventory Expense - MBF	(617)	(116)	257	(1,233)	(186)	297	(833)	(186)	297
Total Cost of Sales	5,551	1,177	469	15,962	4,047	457	58,994	14,759	420
Gross Profit Contribution	1,555	145	93	5,792	884	91	22,986	3,819	87
Depreciation	2,331	0	0	6,993	0	0	26,986	0	0
Taxes		0	0		0	0		0	0
Other		0	0		0	0		0	0
Subtotal - Loc. Costs	2,331	0	0	6,993	0	0	26,986	0	0
Selling Expense	1,556	0	0	5,792	0	0	22,986	0	0
Selling Expense Allocation		31	17		82	13		477	13
Total SG&A Expense	1,555	31	17	5,792	82	13	22,986	477	13
Misc. Rev/(Exp)	1,555	(0)	0	5,792	(0)	0	22,986	1	0
Other Rev/(Exp)	1,555	(0)	(0)	5,792	1	0	22,986	1	0
Pre-Tax Profit/(Loss)	1,555	114	41	5,792	784	88	22,986	3,433	75
Lumber Recovery/(Loss)		1.22			1.02			1.06	
Chips Recovery/(Loss) per MBF		0.00			0.00			0.00	

WY CONF-00250

Carlsbild - Mill Summary Reports

Northwest Hardwoods - Carlsbild

($000)

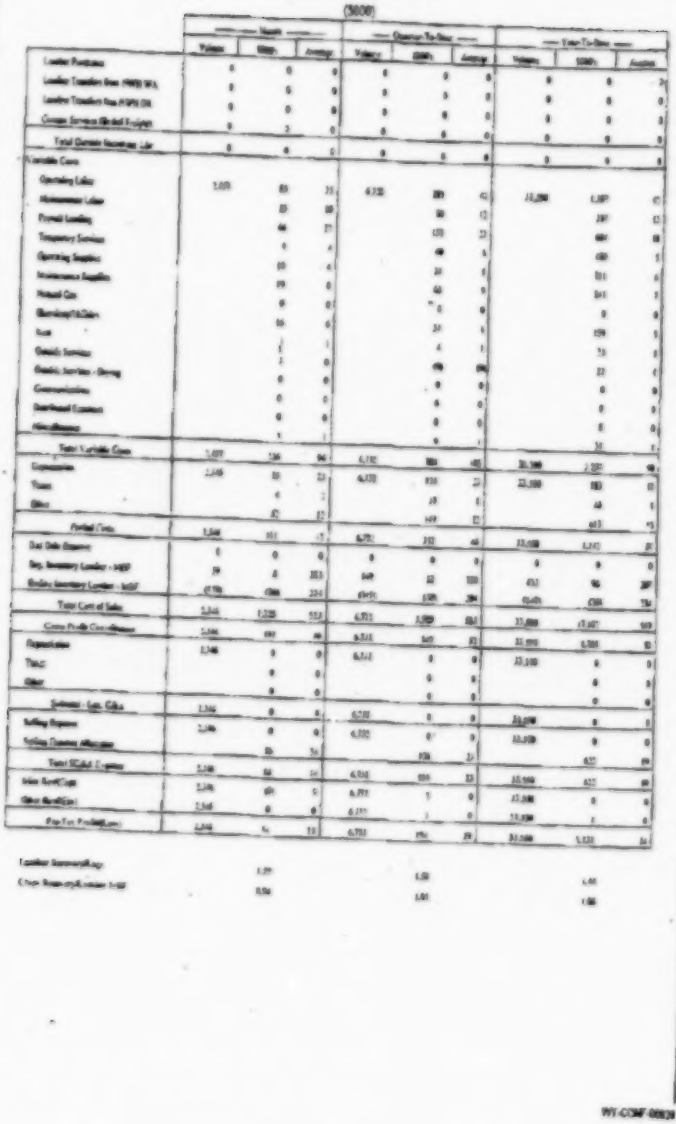
December 1997	Week			Quarter To Date			Year To Date		
	Volume	1997's	1996's	Volume	1997's	1996's	Volume	1997's	1996's
Log Purchases									
Loggers - NWH	0	89	0	0	89	0	0	89	0
Mills - NWH	1,231	241	148	2,866	519	339	13,903	2,374	2,211
Processing Claims		(0)	(24)		(0)	(24)		(24)	(24)
Total Log Purchases - NWH	1,366	330	124	3,096	708	315	15,406	2,439	2,211
Lumber Wholesale Sales									
Sales - Russia	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CEC	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Channel Fabrics	0	89	0	0	89	0	0	89	0
Sales - Holiday Wood	0	89	0	0	89	0	0	89	0
Lbr Trans. to NWH Hubbard Lbr.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Buhler Lbr.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Wash. Lbr.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to NWH Ore. Lbr.	1,747	570	441	3,801	1,119	441	13,721	4,140	671
Total Lumber Sales - NWF	1,366	1,118	0%	4,102	3,256	0%	14,000	11,000	0%
Lumber Wood Sales									
Hi Perry - NWF	0	0	0	0	0	0	0	0	0
Wayne - NWF	0	89	0	0	(0)	0	0	89	0
Lumber Transfers									
NWH WA - NWF	0	89	0	0	89	0	0	89	0
NWH OR - NWF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - NWF	0	0	0	0	0	0	0	0	0
Chip Sales - Jld Perry - NWF	1,310	274	0%	4,276	649	0%	16,967	3,149	0%
Freight - Jld Perry		(74)	(74)		(199)	(199)		(199)	(199)
Chip Sales - Wayne - NWF	0	89	0	0	0	0	0	0	0
Freight - Wayne		0	0		(0)	(0)		(0)	(0)
Total Chip Sales - NWF	1,310	196	0%	4,276	450	0%	16,967	2,950	0%
By-Products	1,170	0	0%	4,094	48	0%	16,170	311	0%
Freight - By-Products		(0)	(0)		(0)	(0)		(0)	(0)
Total Value Recovery - NWF	1,170	1,217	0%	4,276	3,864	0%	16,170	16,311	0%
Dry Inventory - Logs									
Hardwood Logs - Jld Perry									
Other Standing Costs									
Hardwood Logs - Wayne									
Other Standing Costs									
Lbr Transferred In - Ore.									
Lbr Transferred In - Hamilton									
Logs Transferred In - NWH WA									
Other Standing Costs									
Logs Transferred In - NWH OR									
Other Standing Costs									
Raw Materials Inventory									
Accounts Receivable - NWF									
Accounts Receivable - Intercompany									
Jld Perry Sales									
Logs Transferred Out - NWH WA									
Logs Transferred Out - NWH OR									
Finished Inventory - Lbr									
Total Net P&L Contribution									

WY-CONF-00123

Carlsbild - Mill Summary Results

Northwest Hardwoods - Carlsbild

($000)



Caribaldi - Mill Summary Results

Northwest Hardwoods - Caribaldi

($000)

December 2002	Month			Quarter To Date			Year To Date		
1/8/2003 16:31	Volume	$000's	$/MBF	Volume	$000's	$/MBF	Volume	$000's	$/MBF
3rd Party Sales									
Lumber - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Pallet - MBF	888	122.984	242	2,599	590.993	227	13,258	3,133.823	236
Discounts/Claims		(0.630)	(1)		(4.729)	(2)		(27.300)	(2)
Net 3rd Party Sales - MBF	588	122.354	241	2,599	586.263	226	13,258	3,106.523	234
Intra Division Sales									
Sales - Reman	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - CSC	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - Okawa/Taiwan	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - Ind/Bldg Wire	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Midwest Loc.	0	(0.000)	0	6	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Roland Loc.	0	(0.000)	0	9	(0.000)	0	0	(0.000)	0
Lbr Trans. to NWH Wash. Loc.	2	(0.000)	0	9	(0.000)	0	311	226.633	729
Lbr Trans. to NWH Ore. Loc.	293	204.223	697	2,417	1,378.476	633	14,344	9,948.346	694
Total Lumber Sales - MBF	880	326.578	434	5,016	2,164.742	432	27,913	13,281.547	476
Log Yard Sales									
3rd Party - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Weyco - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
NWH OR - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Total Log Sales - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Chip Sales - 3rd Party - BDT	596	38.364	76	4,534	349.464	76	26,847	2,362.245	88
Freight - 3rd Party		(9.188)	(18)		(81.128)	(17)		(430.814)	(17)
Chip Sales - Weyco - BDT	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Freight - Weyco		(0.000)	0		(0.000)	0		(0.000)	0
Total Chip Sales - BDT	596	38.176	69	4,534	269.338	59	26,847	1,931.431	71
By Products	273	5.571	20	2,302	42.907	18	17,967	276.829	17
Freight - By-Products		(2.956)	(11)		(42.126)	(16)		(240.977)	(13)
Total Sales Revenue - MBF	888	367.470	649	5,016	2,448.562	487	27,913	15,338.831	546
Beg. Inventory - Logs	0	0.000	0	710	325.493	464	631	354.643	562
Purchased Logs - 3rd Party	436	188.329	433	2,441	1,104.339	452	16,886	8,503.317	519
Other Handling Costs		0.190	0		1.639	1		5.930	0
Purchased Logs - Weyco	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Tfr Transferred In - For	0	0.000	0	0	0.000	0	0	0.000	0
Tfr Transferred In - Non-For	0	0.000	0	0	0.000	0	80	39.583	495
Logs Transferred In - NWH WA	245	68.179	282	395	97.895	303	1,231	480.797	433
Other Handling Costs		21.233	89		26.634	91		144.711	126
Logs Transferred In - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Raw Materials Available	675	277.402	411	3,446	1,558.193	459	18,829	9,527.704	514
Sawmill Conversion - MBF	505	137.582	272	4,520	1,410.372	287	27,989	9,387.884	335
Sawmill Conversion - Sailtow	373		439	3,098		455	18,184		516
3rd Party Sales	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred Out - NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred Out - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Ending Inventory - Logs	(247)	(139.826)	403	(247)	(139.826)	403	(247)	(139.826)	403
Total Net RM Cost to Loc.	328	137.582	419	3,098	1,410.372	455	18,184	9,387.884	516

EXHIBIT 482 P. 55

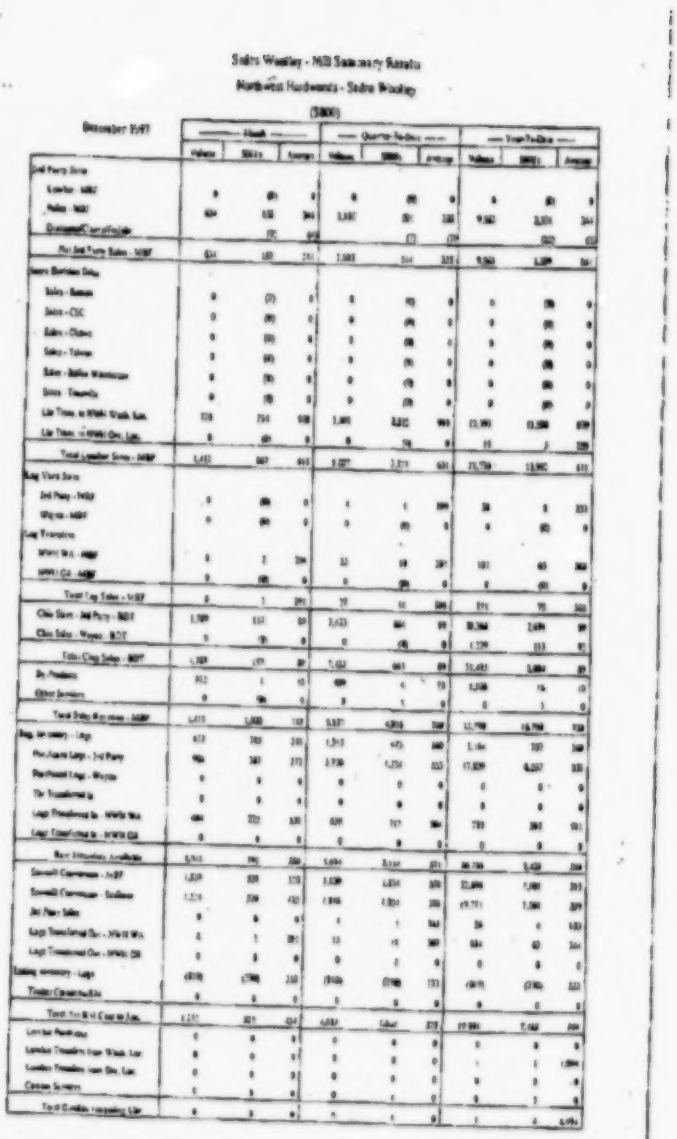
Garibaldi - Mill Summary Results

Northwest Hardwoods - Garibaldi

($000)

	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	$/Unit	Volume	$000's	$/Unit	Volume	$000's	$/Unit
Lumber Variance	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from NWH WA	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers fm NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Custom Services (Resid Freight)	0	0.000	0	0	0.000	0	0	0.240	0
Total Outside Inventory Lbr	0	0.000	0	0	0.000	0	0	0.240	0
Variable Costs									
Operating Labor	105	33.494	62	4,920	220.364	46	27,988	1,200.234	43
Maintenance Labor		11.935	24		65.519	13		352.478	13
Payroll Loading		34.845	109		185.307	37		643.709	23
Temporary Services		4.634	9		21.479	4		140.384	5
Operating Supplies		9.986	20		43.632	9		254.458	9
Maintenance Supplies		7.819	15		67.152	14		217.538	8
Natural Gas		0.000	0		0.000	0		0.000	0
Electricity/Utilities		11.498	23		43.305	9		163.098	6
Rent		3.314	7		10.222	2		41.213	1
Outside Services		1.093	2		4.533	1		41.868	1
Outside Services - Drying		0.000	0		0.000	0		0.000	0
Communications		0.000	0		0.000	0		0.000	0
Distributed Expenses		0.000	0		0.000	0		0.000	0
Miscellaneous		1.958	4		7.621	1		38.798	1
Total Variable Costs	505	138.576	274	4,920	673.853	137	27,988	3,108.330	111
Depreciation	800	42.499	53	3,916	138.793	28	27,913	586.653	21
Taxes		2.348	5		9.047	2		46.100	2
Other		57.341	72		174.284	35		421.146	22
Period Costs	800	102.188	127	3,916	321.824	64	27,913	1,253.899	45
Bad Debt Expense	0	0.000	0	0	0.000	0	0	0.000	0
Beg. Inventory Lumber - MBF	517	128.491	248	221	68.741	295	149	30.442	204
Ending Inventory Lumber - MBF	(221)	(46.946)	212	(221)	(46.946)	212	(221)	(46.946)	212
Total Cost of Sales	896	499.668	575	3,916	2,424.844	483	27,913	11,731.250	492
Gross Profit Contribution	896	(100.134)	(120)	3,916	15.098	3	27,913	1,398.973	54
Depreciation	800	0.000	0	3,916	0.000	0	27,913	0.000	0
Taxes		0.000	0		0.000	0		0.000	0
Other		0.000	0		0.000	0		0.000	0
Subtotal - Loc. G&A	800	0.000	0	3,916	0.000	0	27,913	0.000	0
Selling Expense	800	0.000	0	3,916	0.000	0	27,913	0.000	0
Selling Expense Allocation		0.000	0		0.000	0		0.000	0
Total SG&A Expense	800	0.000	0	3,916	0.000	0	27,913	0.000	0
Misc Rev/(Exp)	800	(0.000)	0	3,916	0.305	0	27,913	0.953	0
Other Rev/(Exp)	800	(0.000)	0	3,916	(0.000)	0	27,913	2.977	0
Pre-Tax Profit/(Loss)	800	(100.134)	(125)	3,916	16.093	3	27,913	1,402.434	54
Lumber Recovery/Log		1.54			1.59			1.54	
Chips Recovery/Lumber MBF		1.50			0.93			0.96	
Timber Pre - tax Profit		(0.000)			(0.000)			(0.303)	
Total		(100.134)			16.093			1,402.111	
taxable profit		(100.134)			16.093			1,402.111	
allowance		0.200			0.200			(0.000)	

EXHIBIT 482 P. 56



Sales Weekly - Mill Stationery Results

Northwest Hardwoods - Sales Display

($000)

December 1997	Week			Quarter-To-Date			Year-To-Date		
	Volume	Sales	Average	Volume	Sales	Average	Volume	Sales	Average
3rd Party Sales									
Lumber - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Poles - MBF	434	153	344	1,102	351	318	9,562	3,331	344
Chemical Formulation		(2)	(2)		(7)	(7)		(32)	(3)
Total 3rd Party Sales - MBF	434	151	341	1,102	344	312	9,562	3,299	345
Inter-Entities Sales									
Sales - Boise	0	(1)	0	0	(1)	0	0	(9)	0
Sales - CSC	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Chinook	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Tolmie	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Idaho Wallboard	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Towards	0	(0)	0	0	(0)	0	0	(0)	0
Lin Trans. in White Work. Loc.	116	114	100	1,102	1,102	100	11,102	11,102	100
Lin Trans. in White Chi. Loc.	0	(0)	0	0	(0)	0	11	7	100
Total Lumber Sales - MBF	1,432	867	605	2,207	1,211	549	21,776	13,907	639
Log Value Sales									
3rd Party - MBF	0	(0)	0	0	(0)	100	36	0	333
White - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
White W.L. - MBF	0	2	200	11	10	200	101	60	300
White Ch. - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	0	1	200	11	11	200	101	70	300
Chip Sales - 3rd Party - BDT	1,109	111	10	2,422	242	10	10,364	2,074	10
Chip Sales - Wagon - BDT	0	(0)	0	0	(0)	0	1,729	173	10
Total Chip Sales - BDT	1,109	111	10	2,422	242	10	12,093	2,248	19
By Products	812	1	10	809	6	10	1,008	76	10
Other Services	0	(0)	0	0	1	0	0	1	0
Total Sales Revenue - MBF	1,433	1,000	700	5,537	4,016	726	12,798	16,798	726
Log Inventory - Log	613	200	326	1,310	472	360	2,164	707	326
Purchased Logs - 3rd Party	906	347	383	2,936	1,124	383	17,829	6,257	351
Purchased Logs - White	0	0	0	0	0	0	0	0	0
Tie Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - White Wa	484	222	459	439	151	344	733	262	357
Logs Transferred In - White Ch	0	0	0	0	0	0	0	0	0
Raw Materials Available	1,913	769	402	5,684	2,147	377	20,726	7,227	349
Sawmill Conversion - MBF	1,839	839	456	5,839	2,654	455	22,696	7,980	352
Sawmill Conversion - Sullivan	1,214	559	460	3,896	1,804	463	19,771	7,384	373
3rd Party Sales	0	0	0	1	1	564	26	6	231
Logs Transferred Out - White Wa	0	1	200	11	10	909	101	60	594
Logs Transferred Out - White Ch	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	(613)	(200)	326	(1,310)	(472)	360	(2,164)	(707)	326
Timber Consumed In	0	0	0	0	0	0	0	0	0
Total Tie & Kit Consume Sales	1,231	321	261	4,581	1,641	358	17,991	7,142	397
Lumber Purchases	0	0	0	0	0	0	0	0	0
Lumber Transfers from White Loc	0	0	0	0	0	0	0	0	0
Lumber Transfers from Chi. Loc	0	0	0	0	0	0	1	1	1,000
Canvas Screens	0	0	0	0	0	0	0	0	0
Total Combo remaining Lbr	0	0	0	0	0	0	0	0	0

WY-CONF-01100

Sedro Woolley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

($000)

October 1997	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Variable Costs									
Operating Labor	5,510	161	29	5,429	159	29	32,694	1,153	35
Maintenance Labor		72	14		172	32		709	22
Payroll Loading		(9)	(2)		162	30		997	30
Operating Supplies		14	3		68	13		226	7
Maintenance Supplies		30	5		63	12		232	7
Natural Gas		23	4		51	9		123	4
Electricity/Utilities		59	11		85	16		338	10
Rent		5	1		12	2		47	1
Outside Services		5	1		35	6		125	4
Outside Services - Drying		(28)	(5)		1	0		196	6
Front Loader		12	2		49	9		229	7
Fuel Chips/By-Prod		59	11		69	13		206	6
Miscellaneous		4	1		(7)	(1)		(13)	(0)
Total Variable Costs	5,510	508	92	5,429	1,256	231	32,694	5,963	182
Depreciation	5,612	51	10	5,287	164	31	32,730	965	29
Taxes		(31)	(6)		(82)	(15)		9	0
Other		27	5		114	22		326	10
Period Costs	5,612	73	13	5,287	196	37	32,730	1,301	40
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Proj. Inventory Loaded - MBF	1,851	732	395	1,859	735	395	11,291	872	633
Ending Inventory Loaded - MBF	(1,738)	(687)	(395)	(1,220)	(482)	(395)	(11,123)	(4,397)	(395)
Total Cost of Sales	5,625	626	111	5,926	1,451	245	32,898	5,839	178
Gross Profit Contribution	5,612	324	58	5,287	654	124	32,898	3,758	114
Depreciation	5,612	0	0	5,287	0	0	32,730	0	0
Taxes		2	0		5	1		22	1
Other		0	0		0	0		3	0
Indirect Lan. G&A	5,612	2	0	5,287	5	1	32,730	25	1
Selling Expense Allocation	5,612	0	0	5,287	0	0	32,730	0	0
G&A Expense Allocation		0	0		0	0		0	0
Total SG&A Expense	5,612	2	0	5,287	5	1	32,730	25	1
After Tax Adjustments	5,612	(0)	0	5,287	1	0	32,730	4	0
Other Non-Operating	5,612	1	0	5,287	(13)	(2)	32,730	(20)	(1)
Pre-Tax Profit/(Loss)	5,612	320	57	5,287	635	120	32,730	3,690	113
Lumber Recovery/Log		0.76			1.12			0.83	
Chips Recovery/Lumber MBF		0.95			1.37			1.09	

WY-CONF-01101

EXHIBIT 482 P. 58

Sedro Woolley - Mill Summary Reports

Northwest Hardwoods - Sedro Woolley

($000)

December 1995	Week			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,312	910	694	3,266	2,268	694	4,732	3,281	693
Poles - MBF	671	161	240	2,303	557	242	9,302	2,276	245
Chemicals/Chips/Fuels		(7)	(7)		(23)	(7)		(76)	(7)
Pre 3rd Party Sales - MBF	1,984	1,064	536	5,569	2,801	503	14,034	5,481	391
Inter-Division Sales									
Sales - Arcata	0	(0)	0	0	(0)	0	0	(0)	0
Sales - CDC	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Chowa	0	(0)	0	0	(0)	0	60	72	1,204
Sales - Eelura	13	13	988	13	13	988	13	13	988
Sales - Eelura Warehouse	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Eelglass Warehouse	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Holdrege	0	(0)	0	0	(0)	0	0	(0)	0
Sales - Klamath	0	(0)	0	0	(0)	0	0	(0)	0
Log Trans. to NWH Wash. Loc.	211	150	1,023	437	444	1,017	1,961	1,984	988
Log Trans. to NWH Ore. Loc.	0	(0)	0	0	0	1,221	0	0	1,221
Total Lumber Sales - MBF	2,107	1,194	567	6,019	3,259	538	17,141	7,552	441
Log Yard Sales									
3rd Party - MBF	0	(0)	0	0	(0)	0	32	8	252
Veneer - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Log Transfers									
NWH Wa. - MBF	11	4	333	32	11	333	261	68	256
NWH Or. - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	11	4	333	32	11	333	293	76	261
Chip Sales - 3rd Party - BDT	3,940	118	30	6,343	177	28	28,703	2,474	87
Freight - 3rd Party		(12)	(0)		(14)	(0)		(168)	(0)
Chip Sales - Weyco - BDT	0	0	0	0	0	0	442	19	43
Freight - Weyco		(0)	0		(0)	0		(0)	0
Total Chip Sales - BDT	3,940	106	27	6,343	177	28	29,145	2,325	79
By-Products	216	1	5	1,000	1	1	4,823	23	5
Freight - By-Products		(0)	0		(0)	(0)		(1)	(0)
Other Services		(0)	0		(2)	0		(2)	0
Total Sales Revenue - MBF	2,147	1,283	598	6,938	4,055	584	22,241	12,889	580
Log Inventory - Logs	854	326	382	488	332	681	818	558	682
Purchased Logs - 3rd Party	3,996	960	240	3,964	1,063	268	13,849	3,903	282
Purchased Logs - Weyco	0	0	0	0	0	0	0	0	0
Tib Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - NWH Wa.	0	0	0	1,442	644	447	2,172	1,037	477
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Total Materials Available	5,170	1,287	249	6,135	2,040	332	20,839	5,504	264
Internal Consumption - MBF	1,729	347	201	3,631	1,026	283	14,791	3,889	263
External Consumption - Sublimer	1,767		0.0	4,987		0.0	19,732		0.0
3rd Party Sales	0	0	0	0	0	0	79	21	266
Logs Transferred Out - NWH Wa.	11	4	333	32	11	333	261	68	256
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	1,663	(243)	(0.1)	(3,515)	(1,005)	(0.3)	(13,811)	(3,903)	(0.3)
Market Consumption	0	0	0	0	0	0	0	0	0
Total Net Mill Consumption	3,496	104	0.0	4,987	1,032	0.0	19,932	3,995	0.0

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WY-COMF-01879

Sacro Wantley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

($000)

December 1993	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Production	138	37	641	138	37	641	138	37	641
Lumber Transfers from Wash. Ops.	38	47	1,316	38	110	1,322	433	488	942
Lumber Transfers from Ore. Ops.	0	0	0	0	0	0	0	0	0
Custom Services	0	0	0	0	0	0	0	0	0
Total Outside Processing Lbr	134	125	933	134	202	902	561	497	859
Variable Costs									
Operating Labor	1,731	181	697	3,681	886	881	21,201	2,457	781
Maintenance Labor		56	32		179	72		713	39
Payroll Loading		44	26		145	26		563	26
Operating Supplies		99	24		254	18		788	14
Maintenance Supplies		29	18		91	13		269	13
Natural Gas		30	16		83	12		256	13
Electricity/Utilities		43	30		165	28		468	23
Rent		3	3		9	3		48	3
Outside Services		12	7		29	5		103	5
Outside Services - Drying		0	0		0	0		0	0
Private Haulers		0	0		3	1		44	4
Miscellaneous Expenses		0	0		(20)	(10)		(82)	(24)
Miscellaneous		6	4		12	3		28	3
Total Variable Costs	1,731	456	177	3,681	1,354	733	24,391	5,642	555
Depreciation	2,167	69	32	6,898	197	32	22,341	833	38
Taxes		(91)	(70)		6	1		33	1
Other		31	29		69	10		277	25
Period Costs	2,167	111	51	6,898	281	41	22,341	1,448	65
Bad Debt Expense	0	0	0	0	0	0	0	0	0
Beg. Inv. Lumber - MBF	4,828	2,148	707	3,929	2,587	731	2,139	872	408
Ending Inventory Lumber - MBF	(5,758)	(2,811)	811	(5,758)	(3,811)	811	(5,758)	(3,811)	811
Total Cost of Sales	5,167	5,412	838	5,950	5,673	681	23,261	23,134	999
Gross Profit Contribution	2,245	432	32	6,898	645	897	22,341	2,569	115
Depreciation	2,167	0	0	6,898	0	0	22,341	0	0
Taxes		0	0		19	3		66	3
Other		0	0		3	0		9	0
Interest - Lbr, G&A	2,167	0	0	6,898	19	3	22,341	66	3
Selling, Division Allocation	2,167	140	65	6,898	226	36	22,341	781	35
G&A Expense Allocation		0	0		0	0		0	0
Total SG&A Expense	2,167	140	65	6,898	246	36	22,341	856	38
Misc Income/Exp	2,167	1	1	6,898	4	1	22,341	6	0
Other Fixed Exp	2,167	(3)	(1)	6,898	(3)	(0)	22,341	7	0
Pre-Tax Profit/(Loss)	2,167	293	134	6,898	398	58	22,341	1,887	84
Lumber Recovery/Log		4.36			4.19			4.23	
Gross Revenue/Lumber MBF		0.16			1.99			1.18	

WY-CORP-01827

Sedro Woolley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

(1000)

December 1999	Month			Quarter-To-Date			Year-To-Date		
	Volume	[illegible]	Average	Volume	[illegible]	Average	Volume	[illegible]	Average
3rd Party Sales									
Lumber - MBF	1,570	1,176	749	4,053	3,648	897	13,990	14,617	914
Paltz - MBF	1,660	228	138	2,842	714	251	10,729	2,511	234
Discount/Cr-Mo		(3)	(2)		(10)	(3)		(29)	(2)
Tot 3rd Party Sales - MBF	3,230	1,401	433	7,895	4,337	549	24,719	17,099	692
Sedro-Woolley Sales									
Sales - Scrap	0	(6)	0	0	(8)	0	0	(8)	0
Sales - CSC	0	(6)	0	0	4	387	0	27	899
Sales - Shavel/Lumps	71	56	1,291	182	126	1,229	160	607	1,331
Sales - SWDaily Warehouse	0	(0)	0	23**	16	1,439	168	256	1,679
Lbr Trans. to WWH Midwest Lse.	0	(0)	0	0	(0)	0	0	(0)	0
Lbr Trans. to WWH Retail Lse.	0	(0)	0	0	(0)	0	15	7	382
Lbr Trans. to WWH Wash. Lse.	270	272	1,004	842	802	898	2,228	2,132	946
Lbr Trans. to WWH Ore. Lse.	0	126	0	0	31	1,399	47	36	772
Total Lumber Sales - MBF	2,004	1,375	699	8,982	5,110	647	29,339	20,130	697
Log Yard Sales									
3rd Party - MBF	0	(0)	0	0	(0)	0	0	1	0
Wrapped - MBF	0	22	0	0	(0)	0	0	(0)	0
Log Transfers									
WWW WA - MBF	4	2	437	22	14	661	448	295	624
WWW OR - MBF	0	(0)	0	0	(0)	0	0	(0)	0
Total Log Sales - MBF	4	2	437	22	14	661	448	296	437
Chip Sales - 3rd Party - BDT	2,220	194	88	8,899	939	11	35,241	2,334	91
Tongue - 3rd Party		(19)	(11)		(66)	(10)		(222)	(7)
Chip Sales - Wrapped - BDT	0	(0)	0	914	77	91	2,669	226	84
Transfer - Wrapped		(0)	0		(22)	(10)		(62)	(14)
Total Chip Sales - BDT	2,220	210	94	9,813	977	94	37,910	2,296	70
By-Products	1,810	2	2	2,334	13	6	12,377	12	1
Fudge - By-Products		(0)	0		(0)	0		(0)	0
Other Services		(0)	0		(0)	0		(0)	0
Total Sales Revenue - MBF	3,234	1,363	562	7,982	5,726	706	29,734	22,640	760
Reg. secondary - Logs	782	369	472	782	366	467	831	382	459
Purchased Logs - 3rd Party	1,393	687	493	4,313	2,214	513	19,426	8,680	447
Other Handling Costs		0	0		0	0		102	5
Purchased Logs - Wrapped	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Log Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - WWW WA	0	0	0	992	537	541	2,991	1,539	515
Other Handling Costs		0	0		93	93		178	60
Logs Transferred In - WWW OR	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Raw Materials Available	2,261	1,055	468	6,099	3,145	516	23,182	10,679	461
Sawmill Conversion - MBF	2,041	781	384	2,132	2,812	264	27,371	10,172	384
Sawmill Conversion - Software	1,651		481	3,240		498	27,356		462
3rd Party Sales	0	0	0	0	0	0	0	0	0
Logs Transferred Out - WWW WA	4	2	437	22	14	661	448	295	643
Logs Transferred Out - WWW OR	0	0	0	0	0	0	0	0	0
Finishing Inventory - Logs	(727)	(268)	442	(2,221)	(2,006)	412	(727)	(268)	412
Planer Consumed Lbr	0	0	0	0	0	0	0	0	0
Total Lbr Rel Cost to Log	1,931	781	404	5,713	2,845	498	27,448	10,199	461

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EXHIBIT 482 P. 61

Sedro Woolley - Mill Summary Results

Nortrees: Northwoods - Sedro Woolley

(1000)

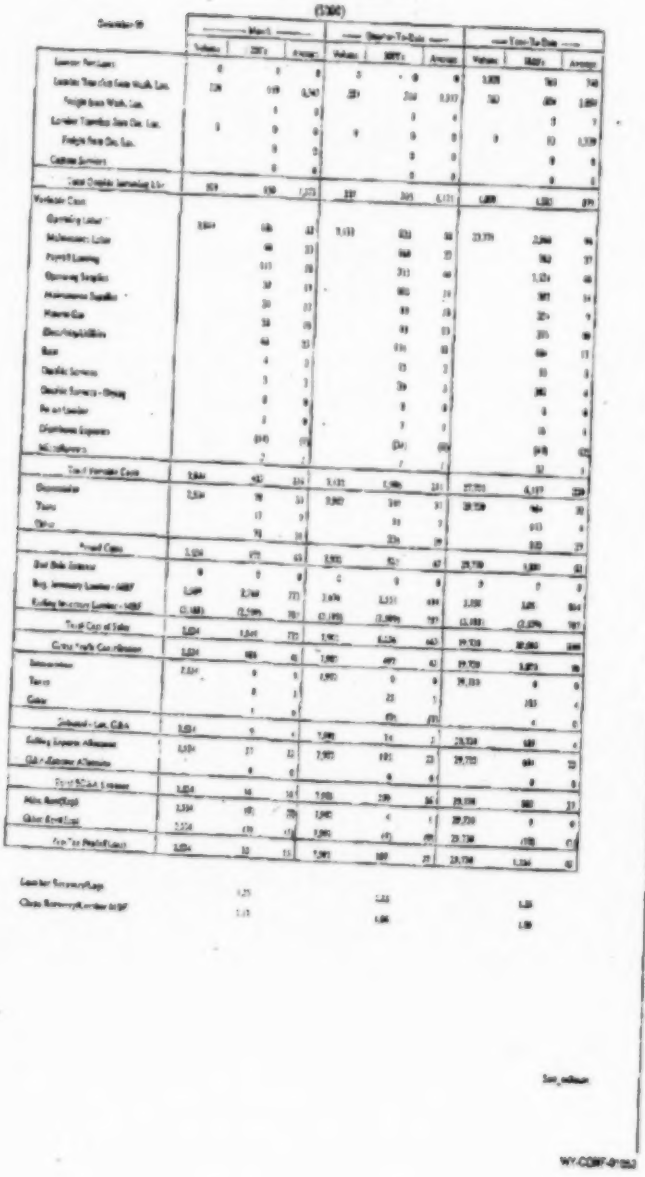

EXHIBIT 482 P. 62

Sedro Woolley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

($000)

December 2011	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,548	1,411	911	4,646	4,238	912	17,529	15,978	911
Alder - MBF	1,139	978	858	3,313	2,849	860	13,225	11,353	858
Miscellaneous Chlorox		28	0		(28)	0		(276)	0
3rd 3rd Party Sales - MBF	2,687	2,417	900	7,959	6,959	874	30,754	27,055	880
Harris Dividend Sales									
Sales - Aurora	0	0	0	0	0	0	0	0	0
Sales - CSC	0	0	0	0	0	0	0	0	0
Sales - Olympia/Tacoma	0	0	0	0	0	0	0	0	0
Sales - Sedro Woolley	0	0	0	0	0	0	0	0	0
Elk Trans. to NWH Alderwood Loc.	0	0	0	0	0	0	0	0	0
Elk Trans. to NWH Oakwood Loc.	0	0	0	0	0	0	0	0	0
Elk Trans. to NWH Wash. Loc.	0	0	0	0	0	0	0	0	0
Elk Trans. to NWH Ore. Loc.	0	0	0	0	0	0	0	0	0
Total Lumber Sales - MBF	0	0	0	0	0	0	0	0	0
Log Trade Sales									
3rd Party - MBF	0	0	0	0	0	0	0	0	0
Weyco - MBF	0	0	0	0	0	0	0	0	0
Log Transfers									
NWH WA - MBF	0	0	0	0	0	0	0	0	0
NWH OR - MBF	0	0	0	0	0	0	0	0	0
Total Log Sales - MBF	0	0	0	0	0	0	0	0	0
Chip Sales - 3rd Party - BDT	0	0	0	0	0	0	0	0	0
Freight - 3rd Party		0	0		0	0		0	0
Chip Sales - Weyco - BDT	0	0	0	0	0	0	0	0	0
Freight - Weyco		0	0		0	0		0	0
Total Chip Sales - BDT	0	0	0	0	0	0	0	0	0
By-Products	0	0	0	0	0	0	0	0	0
Freight - By-Products		0	0		0	0		0	0
Other Services		0	0		0	0		0	0
Total Sales Revenue - MBF	0	0	0	0	0	0	0	0	0
Log Inventory - Logs	0	0	0	0	0	0	0	0	0
Purchased Logs - 3rd Party	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Purchased Logs - Weyco	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Elk Transferred In	0	0	0	0	0	0	0	0	0
Logs Transferred In - NWH WA	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Logs Transferred In - NWH OR	0	0	0	0	0	0	0	0	0
Other Handling Costs		0	0		0	0		0	0
Raw Materials available	0	0	0	0	0	0	0	0	0
Sawmill Conversion - MBF	0	0	0	0	0	0	0	0	0
Remanufacturing Conversion - MBF	0	0	0	0	0	0	0	0	0
3rd Party Sales	0	0	0	0	0	0	0	0	0
Logs Transferred Out - NWH WA	0	0	0	0	0	0	0	0	0
Logs Transferred Out - NWH OR	0	0	0	0	0	0	0	0	0
Ending Inventory - Logs	0	0	0	0	0	0	0	0	0
Total Net $/M Cost to Log	0	0	0	0	0	0	0	0	0

Sedro Woolley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

($000)

December 2020	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0	0	0	(7)	0	330	601	363
Lumber Transfers from Wash. Lor.	372	345	891	1,166	867	988	2,400	1,267	956
Freight from Wash. Lor.		2	11		8	6		15	7
Lumber Transfers from Ore. Lor.	4	6	1,453	12	66	1,771	35	61	1,722
Freight from Ore. Lor.		0	108		1	38		2	70
Custom Services		0	0		0	0		0	0
Total Chemicals Reporting Lbr	378	354	937	1,178	991	799	1,597	2,756	913
Variable Costs									
Operating Labor	1,639	761	79	2,350	731	87	22,687	2,009	89
Maintenance Labor		43	18		162	19		636	28
Payroll Loading		133	31		331	40		1,198	36
Operating Supplies		26	10		127	15		462	66
Maintenance Supplies		25	9		99	9		213	9
Natural Gas		92	66		84	10		228	66
Electricity/Utilities		35	14		165	20		512	15
Rent		1	2		11	2		33	3
Outside Services		7	2		29	3		102	4
Outside Services - Styling		0	0		0	0		0	0
Fresh Lumber		7	9		2	0		67	9
Distributed Expenses		1	1		11	1		(73)	(1)
Miscellaneous		1	1		16	2		33	7
- Total Variable Costs	2,017	1,135	563	4,893	1,768	361	23,687	5,332	998
Depreciation	1,042	81	78	2,063	243	118	25,077	946	38
Taxes		12	6		23	6		102	5
Other		16	21		104	27		402	39
Period Costs	1,042	109	105	2,063	369	179	25,077	1,451	58
Bad Debt Provision	0	0	0	0	0	0	0	0	0
Beg. Inventory Lumber - Mill	4,957	3,123	630	3,644	2,186	600	2,143	1,389	648
Ending Inventory Lumber - Mill	(3,961)	(1,870)	472	(3,961)	(1,870)	472	(3,961)	(1,870)	472
Total Cost of Sales	3,042	2,398	788	5,745	4,434	772	25,571	24,948	976
Gross Profit Contribution	3,042	62	20	5,745	433	75	25,571	2,784	109
Depreciation	3,042	0	0	9,261	0	0	27,272	0	0
Taxes		10	3		23	3		102	4
Other		0	0		6	0		3	0
Subtotal - Lor. C&A	3,042	10	3	9,261	29	3	26,532	118	5
Selling Expense Allocation	3,042	41	13	9,261	120	13	25,572	478	19
G&A Expense Allocation		0	0		0	0		0	0
Total SG&A Expense	3,042	52	17	9,261	149	16	26,532	596	22
Misc Income/(Exp)	3,042	1	0	9,261	4	0	26,532	17	0
Other Income/(Exp)	3,042	(21)	(7)	9,261	(21)	(2)	26,532	(79)	(3)
Pre-Tax Profit/(Loss)	3,042	31	9	9,261	271	29	26,532	1,043	39
Lumber Recovery/Log		1.26			1.22			1.28	
Other Income/Lumber Unit		0.01			0.01			0.01	

WY-COAF-01028

Sedro Woolley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

($000)

December 2001	Month			Quarter-To-Date			Year-To-Date		
1/8/2002 16:29	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
3rd Party Sales									
Lumber - MBF	1,317	1,156,569	878	3,834	3,289,197	858	15,683	13,991,232	892
Pallet - MBF	717	140,175	196	2,736	548,267	200	12,380	2,641,798	213
Discounts/Claims		(3,600)	(2)		(15,757)	(2)		(82,470)	(5)
Net 3rd Party Sales - MBF	2,034	1,293,142	636	6,590	3,741,807	568	28,063	16,550,559	590
Intra Division Sales									
Sales - Nuteas	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Sales - CSC	0	(0.009)	0	3	(3.624)	(1,208)	171	175,476	1,027
Sales - Chewelah	24	30,849	1,286	68	92,855	1,364	529	726,754	1,373
Sales - Ind/Pkg Warehouse	0	(0.000)	0	0	(0.000)	0	37	57,425	1,566
Lbr Trans. to NWH Midwest Loc.	0	(0.000)	0	0	(0.000)	0	39	41,551	1,076
Lbr Trans. to NWH Delta Loc.	16	24,437	1,490	48	64,559	1,353	75	92,983	1,223
Lbr Trans. to NWH Wash. Loc.	257	297,483	1,158	1,113	1,203,702	1,081	5,288	5,253,057	993
Lbr Trans. to NWH Ore. Loc.	10	12,577	1,258	22	23,031	1,047	32	31,483	981
Total Lumber Sales - MBF	2,351	1,658,492	714	7,844	5,132,799	655	34,234	23,917,311	699
Log Yard Sales									
3rd Party - MBF	0	(0.000)	0	0	(0.000)	0	0	4,771	0
Weyco - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Log Transfers									
NWH WA - MBF	0	(0.000)	0	0	(0.000)	0	8	0.702	88
NWH OR - MBF	0	(0.000)	0	0	(0.000)	0	0	(0.000)	0
Total Log Sales - MBF	0	(0.000)	0	0	(0.000)	0	8	5,473	684
Chip Sales - 3rd Party - BDT	1,693	127,106	75	5,644	421,753	75	23,867	1,903,885	80
Freight - 3rd Party		(10,342)	(6)		(43,720)	(8)		(196,084)	(8)
Chip Sales - Weyco - BDT	0	(0.000)	0	0	(0.000)	0	2,066	172,284	83
Freight - Weyco		(0.000)	0		(0.000)	0		(16,543)	(8)
Total Chip Sales - BDT	1,693	116,763	69	5,644	378,034	67	25,933	1,863,541	72
By-Products	864	3,549	4	2,878	11,647	4	12,603	48,646	4
Freight - By-Products		(0.000)	0		(0.000)	0		(0.000)	0
Other Services		(0.000)	0		(0.000)	0		(0.000)	0
Total Sales Revenue - MBF	2,351	1,778,804	765	7,844	5,511,962	703	34,234	24,834,972	725
Beg. Inventory - Logs	1,374	750,295	546	981	371,267	464	686	277,036	404
Purchased Logs - 3rd Party	830	386,933	466	3,632	1,713,318	472	17,104	8,282,212	484
Other Handling Costs		11,339	14		14,436	4		43,143	3
Purchased Logs - Weyco	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Log Transferred In	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred In - NWH WA	0	0.000	0	1,435	843,648	588	5,336	3,306,397	621
Other Handling Costs		29,133	0		78,748	54		194,535	37
Logs Transferred In - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Other Handling Costs		0.000	0		0.000	0		0.000	0
Raw Materials Available	2,204	1,177,670	534	5,632	3,021,397	536	23,126	12,103,323	524
Sawmill Conversion - MBF	2,526	960,063	380	7,317	2,703,762	369	31,346	11,882,591	379
Sawmill Conversion - Surcharge	1,766		544	5,199		520	22,671		524
3rd Party Sales	0	0.000	0	0	0.000	0	0	0.000	0
Logs Transferred Out - NWH WA	0	0.000	0	0	0.000	0	8	3.057	382
Logs Transferred Out - NWH OR	0	0.000	0	0	0.000	0	0	0.000	0
Ending Inventory - Logs	(438)	(217,575)	497	(438)	(217,575)	497	(438)	(217,575)	497
Total Net RM Cost to Loc.	1,766	960,063	544	5,199	2,703,762	520	22,679	11,885,648	524

EXHIBIT 482 P. 65

Sedro Woolley - Mill Summary Results

Northwest Hardwoods - Sedro Woolley

($000)

December 1981	Month			Quarter-To-Date			Year-To-Date		
	Volume	$000's	Average	Volume	$000's	Average	Volume	$000's	Average
Lumber Purchases	0	0.000	0	0	0.000	0	0	0.000	0
Lumber Transfers from Wash. Lac.	184	119.910	1,117	291	381.389	1,224	3,329	3,713,437	961
Freight from Wash. Lac.		0.020	0		3.426	22		36.711	11
Lumber Transfers from Ore. Lac.	0	0.000	777	18	19.785	1,126	23	24.183	1,054
Freight from Ore. Lac.		0.000	0		0.261	15		0.261	11
Custom Services		3.119	0		168.328	0		168.328	0
Total Outside Inventory Lbr	111	329.963	1,160	309	581.506	1,866	3,352	3,443.129	1,027
Variable Costs									
Operating Labor	2,326	191.979	78	9,337	612.885	63	31,346	2,374.123	93
Maintenance Labor		37.730	15		114.360	35		398.530	35
Payroll Loading		91.899	38		384.139	41		1,304.825	38
Operating Supplies		32.828	13		80.394	11		383.911	12
Maintenance Supplies		18.271	7		73.881	10		297.923	9
Natural Gas		23.233	9		92.890	13		289.675	12
Electricity/Utilities		34.926	14		105.539	14		449.829	14
Rent		4.680	2		18.857	2		68.835	2
Outside Services		8.911	4		25.423	3		133.307	4
Outside Services - Drying		(1.170)	(0)		(1.122)	(0)		(3.120)	(0)
Fee on Lumber		0.297	0		1.980	0		9.281	0
Fringebenefit Expenses		0.000	0		(54.463)	(7)		(0.280)	(0)
Miscellaneous		2.781	2		18.498	2		91.439	2
Total Variable Costs	2,326	454.758	180	9,337	1,598.999	199	31,346	6,111.672	191
Depreciation	2,351	77.731	31	7,844	222.441	30	34,234	941.018	27
Taxes		4.327	2		14.187	2		97.157	3
Other		34.470	15		210.134	27		548.000	28
Period Costs	2,351	113.068	48	7,844	456.761	58	34,234	1,586.345	58
Bad Debt Expense	0	0.000	0	0	0.000	0	0	0.000	0
Beg. Inventory Lumber - MBF	3,951	3,035.729	769	4,487	3,451.538	769	3,907	3,078.591	879
Ending Inventory Lumber - MBF	(4,268)	(2,930.185)	686	(4,268)	(2,930.185)	686	(4,268)	(2,930.185)	686
Total Cost of Sales	2,351	1,702.141	749	7,844	5,564.373	709	34,234	28,584.966	689
Gross Profit Contribution	2,351	34.655	15	7,844	(52.411)	(7)	34,234	1,230.866	36
Depreciation	2,351	0.000	0	7,844	0.000	0	34,234	0.000	0
Taxes		7.606	3		31.554	3		96.254	3
Other		0.000	0		0.349	0		0.605	0
Subtotal - Loc. G&A	2,351	7.606	3	7,844	32.002	3	34,234	96.858	3
Selling Expense Allocation	2,351	0.000	0	7,844	0.000	0	34,234	0.000	0
G&A Expense Allocation		0.000	0		0.000	0		0.000	0
Total SG&A Expense	2,351	7.606	3	7,844	32.002	3	34,234	96.858	3
Misc Rev/(Exp)	2,351	2.718	1	7,844	9.431	1	34,234	11.057	0
Other Rev/(Exp)	2,351	(0.918)	(0)	7,844	(4.518)	(1)	34,234	(10.403)	(0)
Pre-Tax Profit/(Loss)	2,351	28.893	11	7,844	(69.518)	(9)	34,234	1,133.879	33
Lumber Recovery/Logs		1.42			1.41			1.28	
Chips Recovery/Lumber MBF		0.67			0.75			0.83	
Timber Profit/Loss		(0.000)			(0.000)			(0.000)	
Surplus		33.893			(69.518)			1,133.879	
Difference		(0.000)			(0.000)			0.000	

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NWH Longview - Weyco Log Comparison -- October 1997

Alder Logs: High (H) and Medium (M) Sort

Sort	Diameter	Longview Weyco 9248001 $/MBF	Longview Weyco Twin Harb $/MBF	Longview-Twin Harb Difference $/MBF	Longview Weyco 9248001 $/MBF	Longview Willamette Industries $/MBF	Longview-Willamette Difference $/MBF	Longview Weyco 9248001 $/MBF	Centralia Weyco $/MBF	Longview-Centralia Difference $/MBF
H	01-05	$221.70	$291.25	-$69.55	$221.70	n/a	n/a	$221.70	0	221.70
H	06-07	$222.88	$309.93	-$87.05	$222.88	425	-202.12	$222.88	300	-77.12
H	08	$241.70	$385.12	-$143.42	$241.70	475	-233.30	$241.70	400	-158.30
H	09	$257.57	$385.19	-$127.62	$257.57	475	-217.43	$257.57	425	-167.43
H	10-11	$302.91	$530.00	-$227.09	$302.91	590	-287.09	$302.91	525	-222.09
H	12-14	$350.93	$555.00	-$204.07	$350.93	625	-274.07	$350.93	575	-224.07
H	15+	$372.56	$555.00	-$182.44	$372.56	625	-252.44	$372.56	575	-202.44
M	01-05	$216.83	$197.05	$19.78	$216.83	200	16.83	$216.83	0	216.83
M	06-07	$214.21	$242.84	-$28.63	$214.21	200	14.21	$214.21	200	14.21
M	08	$224.45	$320.00	-$95.55	$224.45	475	-250.55	$224.45	400	-175.55
M	09	$232.26	$341.91	-$109.65	$232.26	475	-242.74	$232.26	425	-192.74
M	10-11	$255.37	$486.58	-$231.21	$255.37	590	-334.63	$255.37	525	-269.63
M	12-14	$290.20	$423.10	-$132.90	$290.20	625	-334.80	$290.20	575	-284.80
M	15+	$342.74	n/a	n/a	$342.74	625	-282.26	$342.74	575	-232.26

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[Exhibit 485]

NWH Longview - Weyco Log Comparison -- October 1998

Alder Logs: High (H) and Medium (M) Sort

Sort	Diameter	Longview Weyco 9248000 $/MBF	Longview Weyco Twin Harb. $/MBF	Longview-Twin Harb Difference $/MBF	Longview Weyco 9248000 $/MBF	Longview Willamette Industries $/MBF	Longview-Willamette Difference $/MBF	Longview Weyco 9248000 $/MBF	Centralia Weyco $/MBF	Longview-Centralia Difference $/MBF
H	01-05	$177.27	n/a	n/a	$177.27	n/a	n/a	$177.27	0	177.27
H	06-07	$199.25	$250.00	-50.75	$199.25	325	-125.75	$199.25	250	-50.75
H	08	$283.31	$375.00	-91.69	$283.31	400	-116.69	$283.31	375	-91.69
H	09	$309.42	n/a	n/a	$309.42	425	-115.58	$309.42	400	-90.58
H	10-11	$395.70	$475.00	-79.30	$395.70	550	-154.30	$395.70	475	-79.30
H	12-14	$459.65	$525.00	-65.35	$459.65	575	-115.35	$459.65	525	-65.35
H	15+	$443.83	$525.00	-81.17	$443.83	575	-131.17	$443.83	525	-81.17
M	01-05	$180.46	$100.00	80.46	$180.46	n/a	n/a	$180.46	0	180.46
M	06-07	$179.49	$150.00	29.49	$179.49	175	4.49	$179.49	150	29.49
M	08	$214.50	$300.00	-85.50	$214.50	400	-185.50	$214.50	300	-85.50
M	09	$235.48	$325.00	-89.52	$235.48	425	-189.52	$235.48	325	-89.52
M	10-11	$293.84	$425.00	-131.16	$293.84	550	-256.16	$293.84	425	-131.16
M	12-14	$368.69	$475.00	-106.31	$368.69	575	-206.31	$368.69	475	-106.31
M	15+	$450.83	$475.00	-24.17	$450.83	575	-124.17	$450.83	475	-24.17

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[Exhibit 486]

NWH Longview - Weyco Log Comparison – October 1999
Alder Logs: High (H) and Medium (M) Sort

Sort	Diameter	Longview Weyco 9248000 $/MBF	Longview Weyco Twin Harb $/MBF	Longview-Twin Harb Difference $/MBF	Longview Weyco 9248000 $/MBF	Longview Willamette Industries $/MBF	Longview-Willamette Difference $/MBF	Longview Weyco 9248000 $/MBF	Centralia Weyco Willapa $/MBF	Longview-Centralia Difference $/MBF
H	01-05	$209.00	$245.00	-36.00	$209.00	n/a	n/a	$209.00	n/a	n/a
H	06-07	$230.19	$345.00	-114.81	$230.19	350	-$119.81	$230.19	325	-$94.81
H	08	$373.35	$499.55	-126.20	$373.35	500	-$126.65	$373.35	487.91	-$114.56
H	09	$411.36	$505.06	-93.70	$411.36	525	-$113.64	$411.36	499.27	-$87.91
H	10-11	$496.65	$571.83	-75.18	$496.65	575	-$78.35	$496.65	573.41	-$76.76
H	12-14	$603.45	$612.06	-8.61	$603.45	625	-$21.55	$603.45	614.11	-$10.66
H	15+	$584.35	$611.76	-27.41	$584.35	625	-$40.65	$584.35	618.95	-$34.60
M	01-05	$211.75	n/a	n/a	$211.75	n/a	n/a	$211.75	0	$211.75
M	06-07	$208.03	$240.00	-31.97	$208.03	175	$33.03	$208.03	325	-$116.97
M	08	$299.13	$499.59	-200.46	$299.13	500	-$200.87	$299.13	490.48	-$191.35
M	09	$357.57	$505.11	-147.54	$357.57	525	-$167.43	$357.57	502.13	-$144.56
M	10-11	$458.15	$566.75	-108.60	$458.15	575	-$116.85	$458.15	574.97	-$116.82
M	12-14	$522.55	$614.35	-91.80	$522.55	625	-$102.45	$522.55	610.02	-$87.47
M	15+	$520.47	$616.92	-96.45	$520.47	625	-$104.53	$520.47	616.92	-$96.45

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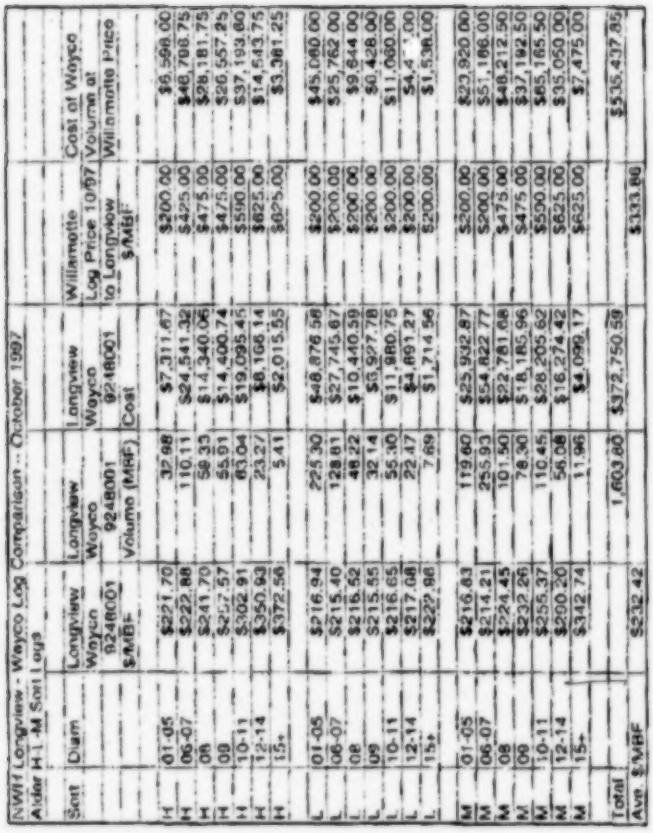
[Exhibit 487]

[Exhibit 488]



NWH Longview - Weyco Log Comparison -- October 1997
Alder H-L-M Soil Log

Sort	Diam	Longview Weyco 9248001 $/MBF	Longview Weyco 9248001 Volume (MBF)	Longview Weyco 9248001 Cost	Willamette Log Price 10/97 to Longview $/MBF	Cost of Weyco Volume at Willamette Price
H	01-05	$221.70	32.98	$7,311.67	$200.00	$6,596.00
H	06-07	$222.88	110.11	$24,541.32	$425.00	$46,798.75
H	08	$241.70	59.35	$14,340.06	$475.00	$28,181.75
H	09	$257.57	55.01	$14,400.74	$475.00	$26,557.25
H	10-11	$302.91	63.04	$19,095.45	$590.00	$37,193.60
H	12-14	$350.93	23.27	$8,166.14	$625.00	$14,543.75
H	15+	$372.56	5.41	$2,015.55	$625.00	$3,381.25
L	01-05	$216.94	225.30	$48,878.58	$200.00	$45,060.00
L	06-07	$215.40	128.81	$27,745.67	$200.00	$25,762.00
L	08	$216.52	46.22	$10,440.59	$200.00	$9,244.00
L	09	$215.55	32.14	$6,927.78	$200.00	$6,428.00
L	10-11	$216.65	55.30	$11,980.75	$200.00	$11,060.00
L	12-14	$217.08	22.47	$4,881.27	$200.00	$4,494.00
L	15+	$222.96	7.69	$1,714.96	$200.00	$1,538.00
M	01-05	$216.83	119.60	$25,932.87	$200.00	$23,920.00
M	06-07	$214.21	255.93	$54,822.77	$200.00	$51,186.00
M	08	$224.45	101.50	$22,781.68	$475.00	$48,212.50
M	09	$232.26	78.30	$18,185.96	$475.00	$37,192.50
M	10-11	$255.37	110.45	$28,205.62	$590.00	$65,165.50
M	12-14	$200.20	56.08	$16,274.42	$625.00	$35,050.00
M	15+	$342.74	11.96	$4,099.17	$625.00	$7,475.00
Total			1,603.80	$372,750.59		$535,437.85
Ave. $/MBF		$232.42			$333.86	

EXHIBIT
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[Exhibit 493]

Market Share in Western Oregon

1997 projected mmbf

Supplier	N.W. purchase	available at high bid	available with trade	not available	total harvest	comments
Georgia Pacific	4	3	3		10	chipping and selling to H.R. Jones and Stedco for about $70 per ton
R.F.P.	9	1	2	0	12	chipping their own pulp
Wil. Ind.	0.5	2	1	3	6.5	chipping their own pulp and buying pulp at up to $40 per ton
Hampton	8	2			10	
Hancock	1	1.5			2.5	
Weyerhaeuser	12				12	
Menasha	3	3		0.5	6.5	sawlog going to P and M for about $650 12" plus
Lone Rock	2	2	1	0.5	5.5	sawlog going to P and M for about $665 12" plus
Siletz Tribe	0	2		0.5	2.5	going to stedco joint venture
State Lands	8	4			12	
Federal lands	0	1			1	
Simpson	1	4			5	all lump sum tbr. bids
Port Blakely		3			3	
Boise cascade		4	4		8	
Citifor	4				4	
Frank Lbr.	0.5	0.5			1	
Freres		0.5	0		0.5	
Davidson	1.5	2.5			4	
Starker	1.5	0.5			2	
Thompson	0.3	0.7			1	
Southcoast		5			5	
Misc.	26	15	10	5	56	
total	82.3	55.2	21.5	9.5	170.0	
% mkt. share	49%	33%	13%	6%		

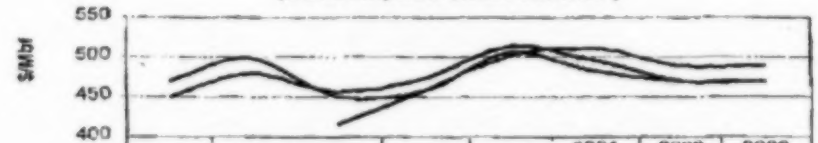
Market Share in Coos Bay

Supplier	N.W. purchase	available at high bid	available with trade	not available	total harvest	comments
Georgia Pacific	0.2	2.8	0	0.5	3.5	chipping at arriola and selling to rfp, and selling sawlog to p and m
RFP	1.5	0	0	0	1.5	chipping own pulp log
Hancock	1	0	0	0	1	
Weyerhaeuser	5	0	0	0	5	
Menasha	1.5	1	0	0.5	3	selling to myrtle point
Lone Rock	2	2	1		5	
Federal	0	0.5	0	0	0.5	
State	0	2	0	0	2	
Coos County	0	2	0	0	2	
Port Blakely	0.2	1.8	0	0	2	
Citifor	0.4	1	0	0	1.4	
Southcoast		5			5	veneer producer
Moore Mill	0.2	0.3			0.5	
Superior	0.1	0.1			0.2	peels sometimes
Misc	10	6	3	0	19	mostly land owners
Total	22.1	24.5	4	1	51.6	
mkt share	43%					

Raw Material
Log Cost Trend

- Annualized cost impact through 2003 timeframe
- Every $10 reduction of sawlog cost across WA/OR adds $2,000M to the bottom line and ~1% RONA

Log Cost Trend - Examples
(Consumption $/Mbf Scribner)



	1996	1997	1998	1999	2000	2001 Outlook	2002 Outlook	2003 Outlook
Centralia, WA	450	479	456	473	514	496	470	470
Eugene, OR	470	499	449	458	506	482	470	470
WA/OR Total			415	457	502	510	490	490

EXHIBIT
495

[Exhibit 495]
903a

[Exhibit 1008]

Ross-Simmons Hardwood Lumber Co.
SPECIALIZING IN PACIFIC COAST RED ALDER AND PACIFIC COAST MAPLE
250 Industrial Way P.O. Box 366 Longview, Washington 98532
Telephone (360) 423-8210 Fax (360) 423-6550

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P.O. Box 549
Siletz, Oregon 97380

Attn. Bonnie Peterson
Dennis Lancaster 11/9/98

Re: Updated Business Plan

Dear Bonnie,

The updated business plan that you requested 10/28/98 is enclosed. The reference point is the Ross-Simmons / STEDCO business projection presented to the Council on May 21 of this year. At that time we had hopes that the market had bottomed out and that improved markets along with mill improvements would help us get the Joint Venture back into a profitable position. Unfortunately, the market continued to deteriorate. As a result Ross-Simmons gave notice to the Council in early September to disband the Joint Venture.

At this time, Ross-Simmons has no plans to recommence operations of the sawmill. So, the current business plan is to sell the remaining lumber inventory at the best possible price, safe guard the facility and implement a Storm Water Prevention Control Plan and a Spill Prevention, Containment and Cleanup Plan and terminate the JV in accordance with our notice of September 3, 1998.

I have tried to identify some of the circumstances that have changed since our May 21 meeting which have led us to conclude that continuing to operate in this environment is no

longer viable. Please have Dennis Lancaster call if he needs any clarification for planning purposes.

Regards

/S/GARY NELSON
Gary Nelson, VP Resources
Ross-Simmons Hardwood Lumber Co.

[P. 2] The following are some of the key factors which led us to conclude that continuing the operation of the Toledo mill is uneconomic. To put the discussion in perspective, the Toledo operation is a high cost operation in part due to major mill design flaws and in part due to the extra transportation cost to another facility for drying and planing. A high cost operation cannot compete in a weak sales environment. Although production and quality was improved, the operation was caught in a price/cost squeeze resulting in the decision to cease operations.

1. Production. The May business plan was based on operating one shift eight hours per day, four days per week. This was based on the assumption that we could sell this production and a little bit more so that lumber inventories would trend down. The weak demand in Asia and Europe forced more alder lumber into US domestic markets creating an oversupply. In addition lumber prices did not rebound as anticipated to make the operation profitable. Consequently we could not sell enough volume to support this operating schedule. In June and July we ran the mill only 7 of the possible 9 weeks and our inventory was flat over that period. In the first week of August, we ceased production and laid off the employees.

The new head rig, new sawyer and new mill manager all contributed to achieving our hourly production goal of 34.5mbf per shift. We were producing a quality product and also sailing the low grade green product directly into the pallet market. Even with these successes we could not compete

with the larger more efficient mills in Oregon for market share. We estimated our production to be 85% dry lumber and 15% green lumber. Due to no market for low grade dry lumber we pushed more of it into the green pallet market so that our ratio of dry to green became closer to 75% dry and 25% green.

2. Sales. In May, we assumed that the market would allow all lumber to be sold at projected sales prices. However, we were only able to sell about 80% of the volume produced on the curtailed schedule. In addition we found that our average prices were 12% lower than we projected.

3. Timber Resources. One of the bright spots was our ability to procure good logs at a lower average price. Unfortunately we could only push log prices down to a certain point as our competition kept a floor on log prices. Also, softwood log markets were poor, so the overall logging activity was down resulting in a supply of alder logs that was lower than normal.

4. Waste Recovery. Residual prices also trended down. Hog fuel prices were basically flat, but chip prices were down about 10% as result of poor pulp and paper markets.

5. Production Costs. Production costs were higher than anticipated due to not being able to produce at the projected level of 4 eight hour shifts per week. Thus there was less production to carry our fixed costs such as real property taxes, insurance, security, certain employee fringe benefits, etc...

Our goal is to have sold the balance of the Joint Venture lumber inventory by year end. We are on a pace to reach this goal but we have had to discount some items to get them to market. The hardwood mills in the Northwest are beginning to run at near normal levels. Up from the 65% of production capacity that we have seen for the last 12 months. However, Weyerhaeuser still has a large inventory of unsold lumber

inventory so lumber prices are still stagnant. In addition the seasonal increase in log prices has begun so conditions are not good for buying logs for the next 5 months. Even though there has been some recent improvement in the lumber market the factors that led to our decision to cease production at the Toledo mill have not changed and make it very unlikely that we would consider restarting the mill before the cessation date of the Joint Venture.

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[Exhibit 1378]

Weekly Hardwood Review

Volume 13, Number 37 — Your Source For Accurate Hardwood Pricing Information — May 22, 1998

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Hardwood Review

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Why Do Stumpage Prices Increase More Than Lumber Prices?

A Reason for Shrinking Profits

The following article was from a presentation by William G. Luppold, Project Leader, USDA Forest Service, Princeton, WV, at the annual Hardwood Symposium, sponsored by the National Hardwood Lumber Association at Cashiers, NC.

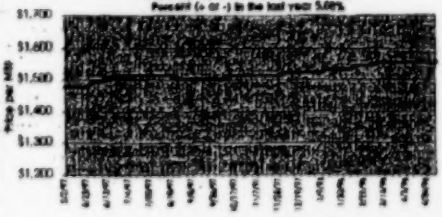
Every sawmiller who has been in business more than 5 years realizes that hardwood stumpage prices tend to increase faster than lumber prices, decreasing the margin between these two prices. Although increases in stumpage versus lumber prices are clearly visible, the reason for the margin decrease is not.

During any given year, progressive sawmills adopt new production technologies and marketing procedures in an effort to increase profits. Additional mills may implement these processes if they appear profitable, while other mills cannot or will not adopt them. When periodic downturns in the lumber market occur, many less efficient mills are forced out of the market. When subsequent increases in price occur, the efficient mills remaining vigorously compete for stumpage, quickly erasing any short-term profits gained by new technologies or marketing methods. Each time this happens the stumpage/lumber market margin decreases.

One fact in the hardwood sawmilling business that is painfully apparent is that stumpage prices continue to increase faster than lumber prices. This is especially visible when stumpage and lumber prices are indexed at a common year and examined over a 30-year period. Because of this trend, profit margins in sawmilling have narrowed, forcing lumber producers to become more efficient or go out of business.

To adequately explain what is happening to stumpage price, some background information

Continued on page 21.



DEFENDANT'S EXHIBIT 1378 00-1691-PA

Editorial

Continued from page 1.

must be presented. Hardwood lumber production and price cycles every 5 to 6 years. These cycles occur because lumber producers and users are seldom in sync with one another. The cycles can be made more severe when combined with a general economic downturn, delayed by economic growth, or altered by price shocks, but would occur even if the economy grew at a constant rate. Between 1970 and 1995, hardwood production has cycled five times. During this 25-year period, the relative demand and prices for the various species has also changed.

The table below illustrates how stumpage versus lumber margins has changed over the years. The table is divided by the various price cycles experienced during the 25-year period from 1970 to 1995.

At first glance, one could attribute increasing stumpage prices to reduced supplies, an explanation that can be supported by anecdotal evidence, but which is difficult to support when examining estimates of forest sawtimber inventories. Another explanation often used is that demand is increasing at a faster rate than supply, but again the data contradicts this argument. In fact, evidence indicates that the large increase in lumber production that occurred in the late 1980's could have been a result of the large volume of eastern timber resources reaching sawtimber size classes at that time.

Although previous analysis by Luppold and Dempsey (1996) found that estimates of forest inventory might not reflect the resource desired by or available to the hardwood sawmilling industry, changes in timber availability cannot solely explain escalating stumpage prices. However, changes in the demand curve for stumpage provide an alternate explanation. The demand curve for stumpage emanates from the production process that converts stumpage into lumber and also is influenced by the price of lumber and the prices of all materials and labor used in the production of lumber. If lumber prices increase, the volume demand for stumpage shifts upward. Similarly, if sawmilling process becomes more efficient, the demand for stumpage changes. In both of these cases the upward shift in demand not only increases the total quantity demanded, but also the price of stumpage.

While increases in lumber prices seem to cause instantaneous increase in stumpage prices and quantity demanded, increases in efficiency by one mill or a group of mills does not have the same

Continued on page 33.

TABLE 1 - Estimated percentage margin between stumpage and lumber prices for White Oak, Red Oak, Yellow Poplar and Hard Maple in Ohio between 1930 and 1996.

Statistic	White Oak	Red Oak	Y Poplar	Hard Maple
Period 2: 1970-1974	62.6	64.9	65.2	65.0
Period 4: 1970-1974	48.1	50.0	57.7	57.9

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Editorial

Continued from page 21.

instantaneous impact. The fact is that mills upgrade equipment to increase profits. Will that undertake such efforts do not go out and try to bid up stumpage prices to erase these profits. Therefore, stumpage prices that tend to be influenced by mills will lower levels of production efficiency, but than the hardwood cycle kicks in.

During periods of declining prices and production, the less efficient or poorly managed sawmills are forced out of the market. Once demand starts to increase, the remaining (more efficient) sawmills that upgraded their equipment are forced to compete in the stumpage market to quickly procure material to capitalize on high lumber prices. Each time this happens, any temporary increase in profits previously enjoyed by these mills is transferred to the resource owner in the form of higher stumpage prices which narrows the margin between stumpage and timber prices.

The margin between lumber and stumpage prices is primarily the result of processing costs but can include short-term profits and the value of veneer and export logs. Most people consider a margin as the difference between lumber and stumpage price. Although this absolute margin is easy to estimate, alternate definitions may be better at explaining market behavior.

The greatest decrease in the margin between stumpage and lumber prices has occurred for the species that had the greatest increase in demand. This occurs because the higher the increase in lumber price, the greater the competition between sawmills for stumpage of that species. However, as the recent increase in Hard Maple lumber price and subsequent decrease in market margin reveals, all hardwood species will eventually have similar margins because all are produced using similar technology.

The one question that may be keeping sawmillers is "Will the decrease in margins continue?" The answer to this question is yes, however, there will come a point where production efficiency cannot be significantly increased. At that point, there will be a natural bottom to the percentage margin. Still that bottom is impossible to predict. The only possible advice to sawmillers is to keep track of what is happening, anticipate the decline in market margin, reap short term profits when they are available, and forward contract the price paid for stumpage, if possible.

The Authors of the above report are: William G. Luppold, Project Leader, USDA Forest Service, Northeastern Research Station., Princeton, WV, and John E. Baumgras, Research Forest Products Technologist, USDA Forest Service, Northeastern Research Station., Morgantown, WV.

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[Exhibit 1397]

Ross-Simmons Hardwood Lumber Co.
SPECIALIZING IN PACIFIC COAST RED ALDER AND PACIFIC COAST MAPLE
250 Industrial Way P.O. Box 366 Longview, Washington 98532
Telephone (360) 423-8210 Fax (360) 423-6550

June 17, 1998

To: Log suppliers

Re: Log deliveries

As a result of adverse market conditions, Ross Simmons Hardwood is forced to begin curtailing log deliveries at the Longview mill. The log yard will be closed to deliveries for two weeks beginning on June 29, 1998 and resume operations on July 13, 1998. We regret any inconvenience this may cause. Hopefully, this action will alleviate our problem and further action will not be necessary.

Also, would you please be aware of the expiration date on your log purchase agreement. There has been an excessive number of logs delivered recently on expired agreements. Contact me at the Longview office, (360) 423-8210, before the expiration date if you wish to continue log deliveries after that date. Loads delivered after expiration dates may be subject to price deductions.

Thank you for your cooperation during these difficult market conditions.

/s/ Wayne Demarest

Wayne Demarest

Log Buyer

[Exhibit 1400]

HARDWOOD MARKET REPORT
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VOLUME LXXX April 13, 2002 OUR 80th YEAR NUMBER 15

ARE HARDWOOD MARKETS CHANGING?

Editorial Note

The *Hardwood Market Report* is pleased to present "Are Hardwood Markets Changing?", printed by special permission from **William G. Luppold, Ph.D., *Northeastern Research Station, Forestry Sciences Laboratory, USDA Forest Service.*** Dr. Luppold has written and lectured extensively on numerous subjects concerning the hardwood industry, and is recognized as a leading analyst of both Domestic and International hardwood markets. He has devoted much time in research, as well as his vast knowledge of the hardwood industry in developing this article. The subject matter he has chosen has regularly been at the center of market observations and commentary made by the *Hardwood Market Report*. Dr. Luppold's article is interesting, thought provoking, and timely, and is another authoritative perspective of the challenges facing the North American Hardwood Industry. While Dr. Luppold's message has value to the industry, *Hardwood Market Report* makes no endorsements or disagreements with the article's contents. This presentation is made entirely for the benefit of *Hardwood Market Report* subscribers, and it is left to the individual readers to formulate their own conclusions from this analysis.

HARDWOOD MARKET REPORT

Dr. Luppold's article begins on page 11.

OAK FLOORING -- Industry estimate	SHIPMENTS 12 MONTHS		SHIPMENTS 12 YEAR	
Courtesy of NOFMA, THE WOOD FLOORING MANUFACTURERS ASSOCIATION	FEBRUARY 2002	47,149	8 MONTHS 2002	93,839
	FEBRUARY 2001	39,778	8 MONTHS 2001	78,969
	2002 to 2001	119%	2002 to 2001	119%

3/4" x 2-1/4" OAK FLOORING

Figures in the Appalachian and Southern Area columns represent our estimate of the current predominant FOB mill price levels for Unfinished Oak Strip Flooring. Figures in parenthesis are our estimate of the prevailing industry ranges of FOB mill prices, with variations in pricing due in part to differences in freight considerations, nature of markets, volume, etc. Prices are for truckload or carload quantities graded in accordance with NOFMA Rules. Prices are in US Dollars Per MBF (thousand board feet) and Per SF (square foot). For square foot price, add 1/3 to board foot price. Compared with our estimate of prior week, figures in Bold Print signify changes have occurred; those followed by a Plus (+) indicate an increase, a Minus (–) indicate a decrease.

	APPALACHIAN AREA		SOUTHERN AREA		PREVAILING INDUSTRY RANGE	
	MBF	SF	MBF	SF	MBF	SF
CLEAR PLAIN WHITE OAK	1770	2.36	1790	2.37	(1665-1850)	(2.20-2.47)
CLEAR PLAIN RED OAK	1860	2.47	1840	2.45	(1772-1950)	(2.35-2.57)
SELECT PLAIN WHITE OAK	1360	1.81	1340	1.79	(1275-1415)	(1.72-1.89)
SELECT PLAIN RED OAK	1495	1.83	1488	1.85	(1418-1650)	(1.89-2.17)
No. 1 COM PLAIN WHITE OAK	1118	1.49	1135	1.47	(1030-1260)	(1.37-1.67)
No. 1 COM PLAIN RED OAK	1290	1.72	1255	1.67	(1165-1372)	(1.55-1.83)
No. 2 COM WHITE OAK	920	1.35	945	1.25	(825-1000)	(1.25-1.33)
No. 2 COM RED OAK	1040	1.38	1040	1.38	(969-1103)	(1.32-1.47)

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DEFENDANT'S EXHIBIT 1400 00-1693-PLF

[D]

Are Hardwood Markets Changing?

By William G. Luppold, Ph.D.,
Northeastern Research Station - Forestry Sciences Laboratory
USDA Forest Service
April 13, 2002

So, here we go again! The recession seems to be ending and the hardwood industry is gearing up. With any luck, lumber production will soon be profitable allowing firms to undo the financial damage caused by the most recent market decline. Still, every upturn in the market cycle seems to bring a new set of problems and opportunities that were never anticipated two years earlier. With this in mind, perhaps it's time to examine some 'important' market issues such as, how much has lumber production decreased, how have global hardwood markets changed, and why are hardwood stumpage prices so high?

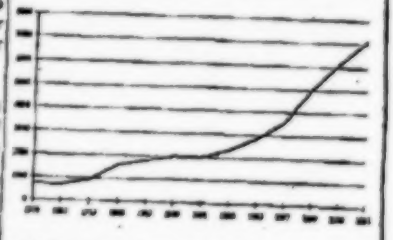
How Bad was the Downturn this Time?

As in past recessions, hardwood lumber producers have suffered through more than a year of poor or negative profits brought on by declining lumber prices, low volume of shipments, and high stumpage prices. Lumber shipments and prices fell during 2001 as secondary manufacturers reduced production and consumed their lumber inventories. Not only did furniture plants and other lumber users deplete their inventories, but also lumber inventories held at closed facilities were redistributed among the remaining plants. The reduction in demand and price brought on by these changes caused lumber production to decline as sawmills shut down or reduced hours. *But how great was the decline?*

The extent of the decline in lumber production depends on whom you talk to and what part of the market they are talking about. Some firms in the Appalachian region feel that production has dropped 25 percent or more, while reports from other regions are not quite as dismal. It is difficult to compare the market "buzz" on the current decline in production to previous declines, because many of the smaller mills that use to silently shut down in past market downturns no longer exist. Therefore, the larger grade mills are absorbing a greater amount of the decline in sales than in the past downturns. My feeling is that total Eastern production may have decreased by 15 percent between 1999 and 2001, or 1.8 billion board feet. That's equivalent to 360 sawmills with annual production levels of 5 million board feet shutting down. If these projections hold true, we are looking at the *largest volume decline* in hardwood lumber production since the 1979 to 1981 period.

Firms in the Appalachian region have been especially hard hit by this recession because of furniture plant closures. Although furniture imports have continually gained market shares on the domestic furniture industry over the last 20 years (Figure 1), there has not been a noticeable decline in Domestic manufacturing until recently. However, over the last year, plants in North Carolina and Virginia have closed displacing an estimated 5,000 production workers. Furthermore, *globalization* of markets may have a profound effect on Domestic and International sales of Eastern hardwood lumber.

Imports of Wood Household Furniture
(billions of 1982 constant dollars)



Graph Developed by U.S.D.A. Forest Service, Princeton, WV.
Using U.S. Dept. of Commerce and U.S. Dept. of Labor Data

(continued on page 12)

(continued from page 11)

The Global Market for Furniture and Other Wood Products

The U.S. has emerged from this recession with a significant production cost disadvantage in the *global* furniture market. Higher labor costs, older physical plants, and high value of the U.S. dollar have all contributed to Domestic furniture plant closings. Still, our sawmilling industry has some advantages, including a large timber inventory and an efficient system to extract that timber and ship it to customers *(distributional advantage)*. However, will this distributional advantage continue to allow U.S. hardwood lumber manufacture's to profitably produce lumber at 1999 levels when the economy fully rebounds?

I feel that a potential problem the U.S. hardwood lumber industry faces in the near future is increased *global competition* in Export and Domestic markets. Ironically, this dilemma is a result of success, for its roots are in the strong dollar and the increased lumber exports to Asia.

Initially, the hardwood lumber industry saw Asian furniture manufacturers as a market opportunity. We shipped lumber; they manufactured furniture along traditional U.S. styles and sold it to U.S. consumers at low prices. However, once Asian manufacturers established a critical mass of production capacity, they may have noticed that U.S. consumers showed little brand or species loyalty. Concurrently, the high dollar fueled the search for *alternative* low cost sources of wood in Asia. Eastern Europe (including Russia), and South America. As a result, Asian furniture manufacturers can ship low priced furniture to the U.S. that contains smaller quantities of U.S. hardwoods.

If efforts by Asian furniture manufacturers to cultivate new sources of hardwood lumber result in the development of better distributional infrastructure in these areas of the world, then U.S. hardwood lumber producers may find competition from sources they never anticipated. Over the years, many researchers and analysts have discounted the ability of non-U.S. sources to increase the supply of temperate hardwood species because of the immense size of the U.S. industry and resource. What these analysts missed was that it only takes a combined area the size of West Virginia to produce all the lumber (on a sustained basis) to supply all Export markets outside of North America. It was not our large timber base that provided U.S. producers a comparative advantage, but the efficient lumber distribution system afforded by this timber base. Once alternative "efficient" lumber distribution systems are in place, the value of the U.S. dollar will determine whether international buyers receive lumber from the United States or other sources.

It does not take too great of a leap of logic to realize that if we lose Export market share, we could also lose Domestic markets for hardwood lumber. Already, we have seen a number of lumber species produced outside of the U.S. show up in furniture manufactured in Asia and Europe. Soon, we may find increased imports of kitchen cabinet fronts, flooring, and millwork that are not manufactured from U.S. species. In this worst-case scenario, the only alternative for U.S. producers is to increase the efficiency of production and distribution. This may mean better equipment, more marketing efforts, better scheduling of production and shipments, etc. Still, any increase in efficiency may only aggravate the problem of high stumpage and log prices. Continual increases in timber prices may be the U.S. sawmills biggest disadvantage in a global market.

Why are Hardwood Stumpage prices so High?

Over the last 25 years, stumpage prices have increased substantially faster than lumber prices but have not decreased much when lumber prices drop. This has caused a continual *narrowing* of the margin between lumber and stumpage prices. Increases in stumpage prices seem to be triggered by upturns in the hardwood production cycle and species with the greatest demand during this period have the greatest increase in price. However, the actual process causing high stumpage prices is complex and is influenced by changing markets for hardwood lumber, adoption of better sawmilling

technology, the competitive nature of the hardwood industry, stumpage ownership, and in some cases, decreasing relative supplies of higher quality hardwood stumpage.

Since the late 1970's, hardwood lumber production has increased by approximately 60 percent even as the number of sawmills has declined. This increase resulted from improved sawing technology (increased production efficiency), increased demand for grade lumber by Domestic and International buyers, and an increase in sawtimber inventories. Because the production of grade lumber was more profitable than the production of industrial products (pallet stock and crossties), the increased lumber production efficiency was caused by updating sawmill equipment with a focus on increased grade and volume recovery from better quality logs. This focused increase in recovery caused higher-grade logs to be in greater demand.

The manner in which increases in production efficiency increases hardwood stumpage prices is related to the hardwood production cycle and can be examined in stages. During periods of strong sales and higher prices, many progressive sawmills adopt technology (update equipment) and more efficient marketing and management practices in an effort to increase profits. Each time the hardwood demand and price declined, some mills go out of business. Many of these unfortunate mills are less efficient or are updated mills that for some reason did not maintain sufficient *cash flow*. Still, the modern equipment purchased by these updated mills is absorbed by the industry through auctions. The bottom line is that the production costs for mills operating at the beginning of a market cycle are lower, on average, than similar mills that operated during the previous market cycle.

At the beginning of a market upturn, increases in lumber prices cause mills to demand more stumpage. Because mills are more efficient (lower production costs) and the competitive nature of the hardwood market, mills usually pay higher prices for this stumpage. These increases in stumpage prices during periods of high lumber prices would not be so bad if they would decrease during periods of low lumber prices. However, most owners of hardwood stumpage are individuals who have the luxury of *not having* to sell their timber during periods of low prices. Previous high prices cause these owners to hold out *until* the price rises. This is the process that is causing the percentage margin between stumpage prices and lumber prices to shrink. What is even more ironic is that the mechanism that eventually causes a serious crimp in profitability at the end of the hardwood cycle is set in motion at the beginning of the cycle.

A silver lining associated with a potentially slower than normal increase in lumber demand and price in this recovery is that there may not be the usual surge in stumpage price. However, it may be wishful thinking to believe that stumpage prices will drop substantially even if lumber prices remain low.

An additional factor that may be causing the price of higher quality stumpage to increase is the change in timber quality. While decreases in quality are difficult to establish in the total Eastern hardwood region, there are specific areas in which a decline in the number of higher-grade trees relative to lower grade trees appears to be occurring. Analysis of the forest survey estimate of sawtimber inventories provides ambiguous results. Examination of changes in West Virginia timber quality between 1975 and 1989 indicates a decline in the percentage of higher quality timber while an examination of Tennessee between 1989 and 1993 indicates quality is increasing. Regardless of the changes in timber quality, changes in hardwood lumber demand seem to have resulted in a strong demand for a relatively small proportion of the forest resource.

Concluding Comments

The hardwood lumber industry has undergone numerous upturns and downturns in the market over the last 25 years. In the past, the industry that has emerged after a downturn in the market has been more technologically advanced and more efficient than the industry that existed before the downturn. Still, there are some "serious" problems the industry will face in the future as markets and the timber resource continue to change. The survivors of the next market cycle will be the mills that recognize and react to the "changes" that are influencing their particular sector of the market.

[Exhibit 1456]

NORTHWEST
HARDWOODS
A Division
of Weyerhaeuser
120 INDUSTRIAL WAY
LONGVIEW, WASHINGTON 98632
206/577-4578 FAX 206/577-7412

October 16, 1989

Weyerhaeuser Company
P.O. Box 188
Longview, WA 98632

ATT: STEVE STRECKER

Steve,

I wish to take this means to go back over the past year and look at what has occurred with hardwood chip production here at Northwest Hardwoods.

I have taken a look at our pulp log inventory and find at the present time we have approximately 20,000 wet tons of pulp logs. These are stored at Longview Boom, I.P. Pond, Tennant Way Yard and our mill log yard.

The question that I must answer is why do I have this excess inventory?

If we start at the beginning of 1989 and look at the volume of chips we were asked to supply to Longview Paper Co., we find this to be 2600 BDT per week. For the first 39 weeks, we have been allowed to deliver only slightly more than 2200 BET per week. 39 X 400 BDT shortage is equal to 15,600 BDT, if you multiply 2.3 wet tons per BDT. We find that according to original plan, we would have used 35,900 more wet tons of logs. Our inventory of pulp would be much greater if we had not sold Pacific Fibre Products 60,000 wet tons of logs instead of the 25,000 to 30,000 tons as originally planned.

Now I can understand your inability to predict accurately, the pulp mill usage and I can understand the necessity of reducing volumes by 15%, but I can't understand reducing

Northwest's and not your other suppliers. In fact, you allowed other suppliers to over-produce their original quotas, while using us to regulate your chip inventory.

You also agreed in early September, that we could start delivering 2600 BDT per week. After restarting deliveries from Tenway chipper, you suddenly lowered our volume to 2200 BDT per weak, thereby shutting down Tenway . I also receive weekly pressure to further curtail production from our Tillamook chipper. If you recall our original discussion of the Tillamook operation, you agreed to support our chipping activities there. While you have supported the price of the hardwood chips, you have removed your support of softwood chips completely. Supporting the pride of hardwood chips is of little value if we are unable to continue deliveries. If I must curtail deliveries from Tillamook, I must also curtail log purchases. If I curtail log purchases, the stable alder market I have begun to develop in Tillamook will be destroyed. If this happens, I will have no choice but to close Tillamook entirely. We will Just lick our wounds, hide our heads and depart.

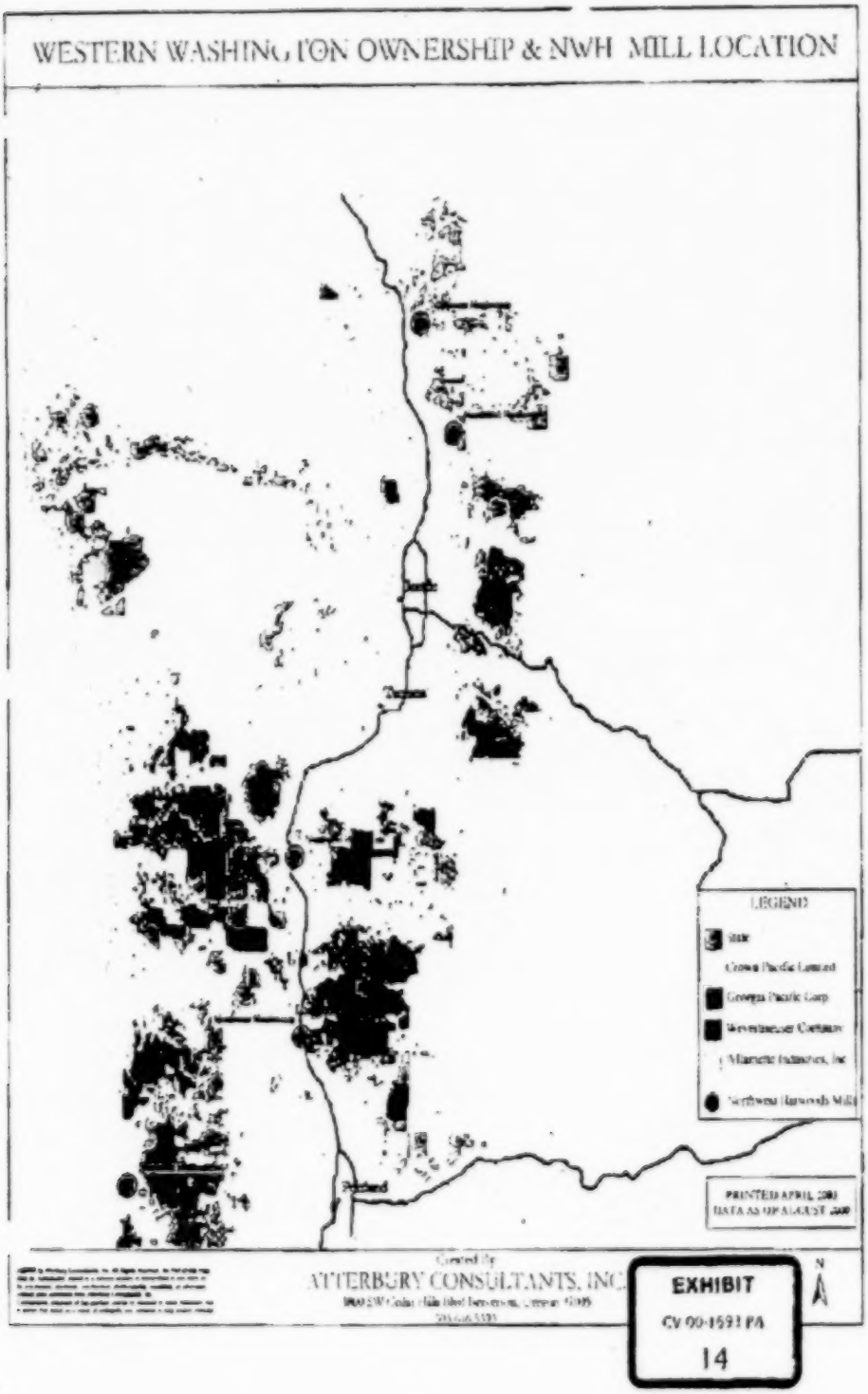
If in the future you could provide us with more accurate information as to your chip needs and the volume you will take from us; if you will be fair and equal with curtailments in deliveries; if when you make agreements you fulfill them, it will be much easier for us to plan our raw materials purchases to provide a constant supply of logs for our sawmill and chips for your needs.

/s/DAVIS
DAVIS E. WOOD, Raw Materials Mgr.
Northwest Hardwoods
Longview Operation

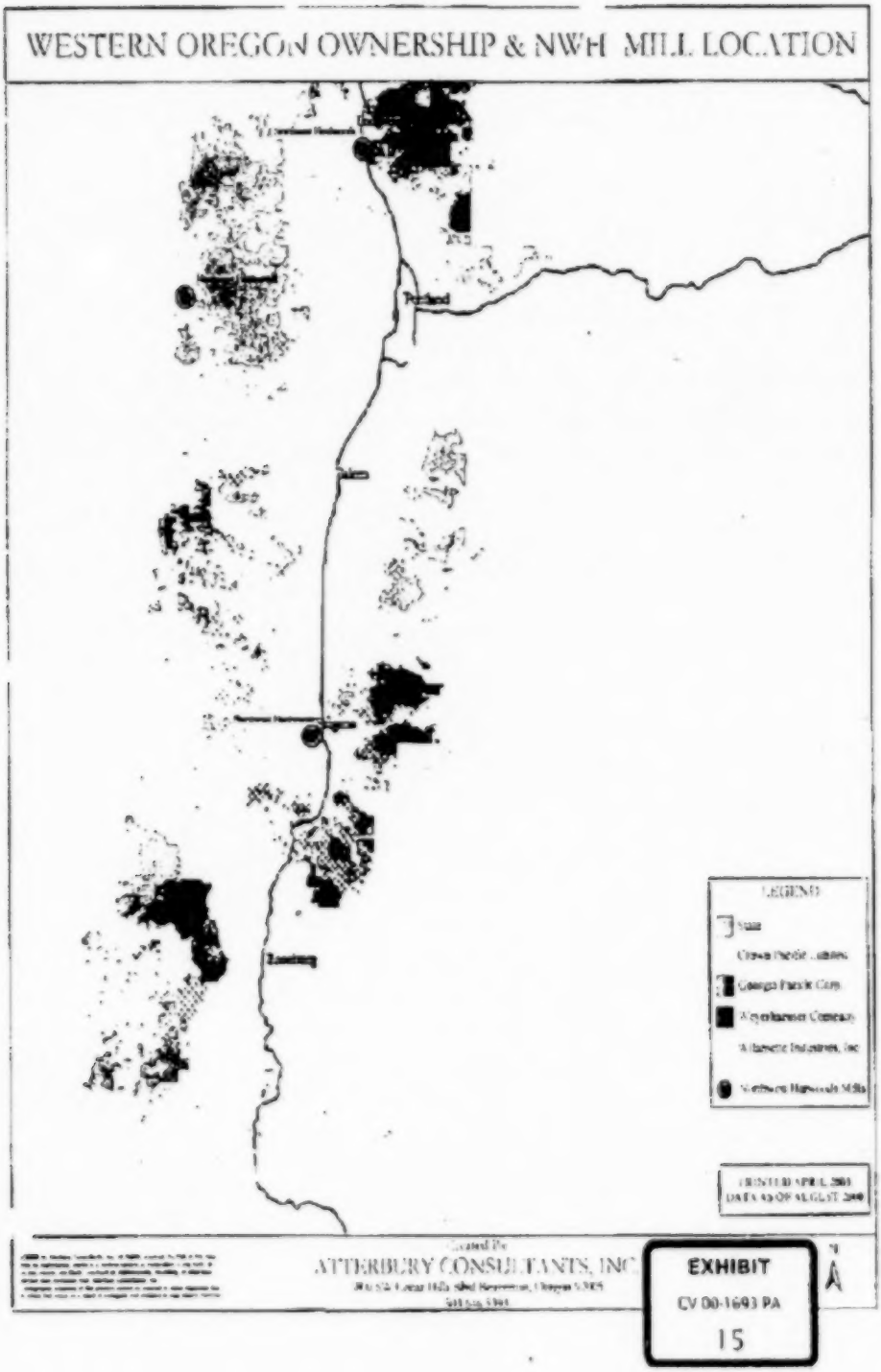
DEW/jw
cc: Arnold Curtis
Heinz Hohendorf

EXCERPTS OF RELEVANT TRIAL EXHIBITS (COLOR)

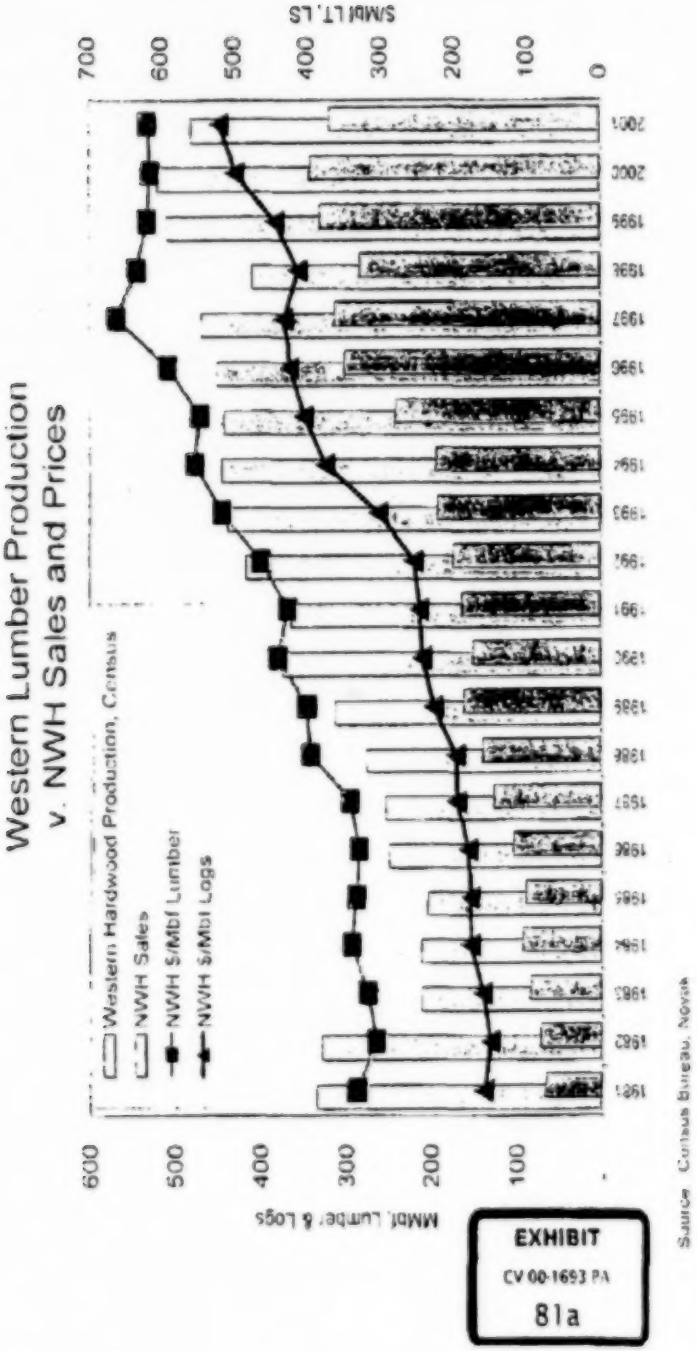
[Exhibit 14]


WESTERN WASHINGTON OWNERSHIP & NWH MILL LOCATION
LEGEND
Crown Pacific Limited
Georgia Pacific Corp
Magnetic Industries, Inc
PRINTED APRIL 2001
Created By
VITTERBURY CONSULTANTS, INC.
EXHIBIT
CV 00-1593 PA
14

[Exhibit 15]


WESTERN OREGON OWNERSHIP & NWH MILL LOCATION
Portland
Salem
Eugene
LEGEND
ATTERBURY CONSULTANTS, INC.
EXHIBIT
CV 00-1693 PA
15

[Exhibit 81a]


Western Lumber Production
v. NWH Sales and Prices
Western Hardwood Production, Census
NWH Sales
NWH $/Mbf Lumber
NWH $/Mbf Logs
MMbf Lumber & Logs
$/Mbf Lt. Ls
EXHIBIT
CV 00-1693 PA
81a
Source: Census Bureau, Noyes

[Exhibit 82]

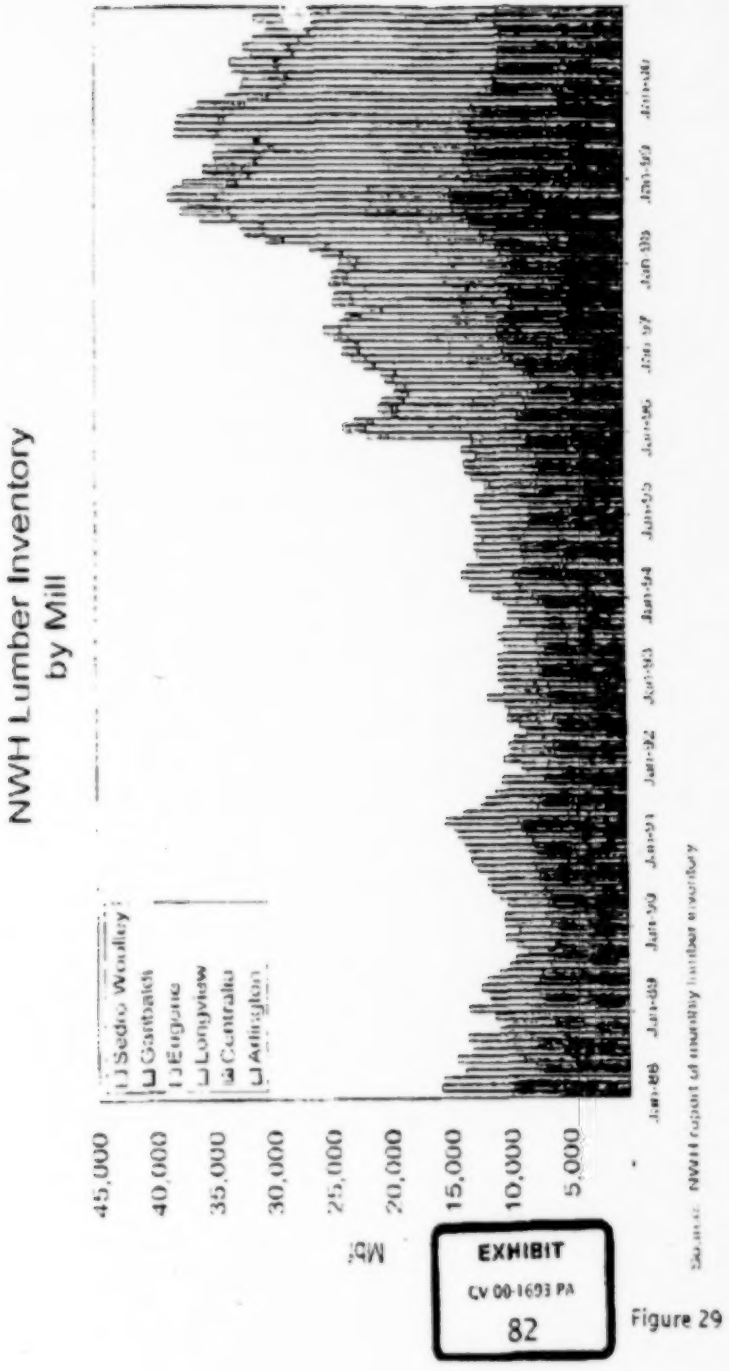


Figure 29

[Exhibit 96]

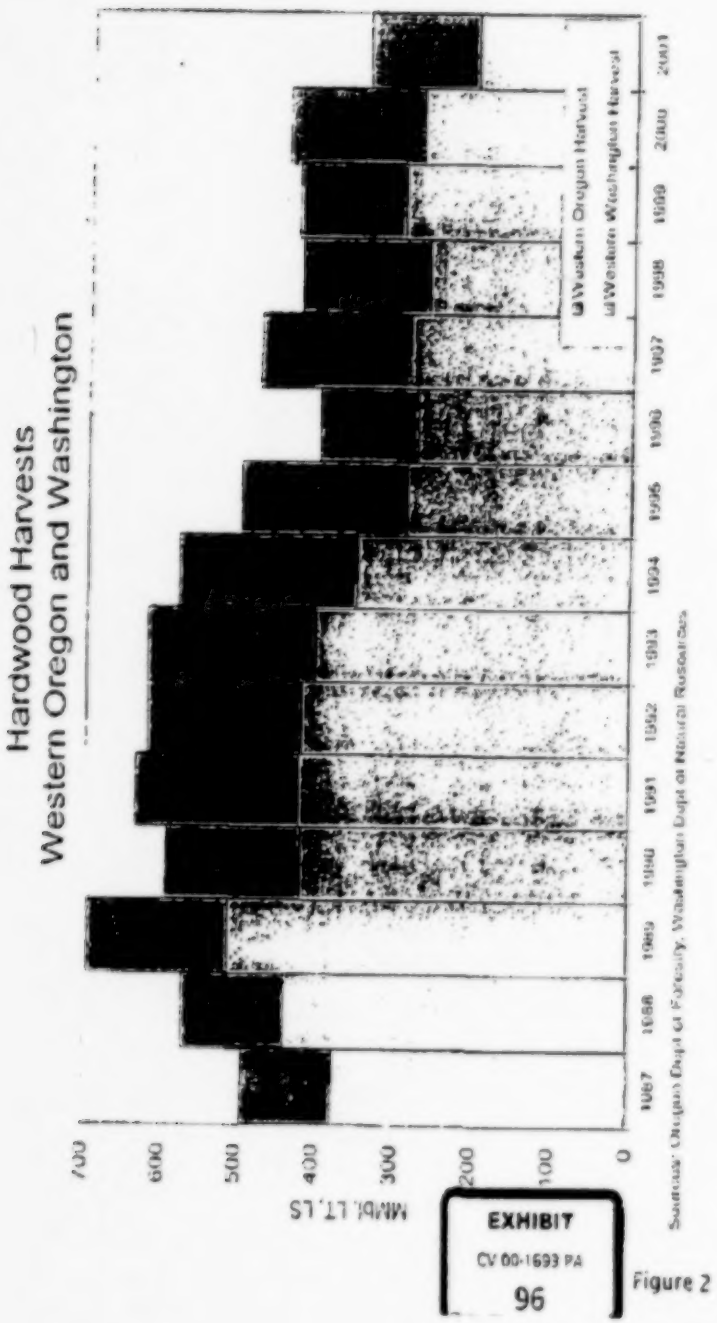


Figure 2

[Exhibit 98]

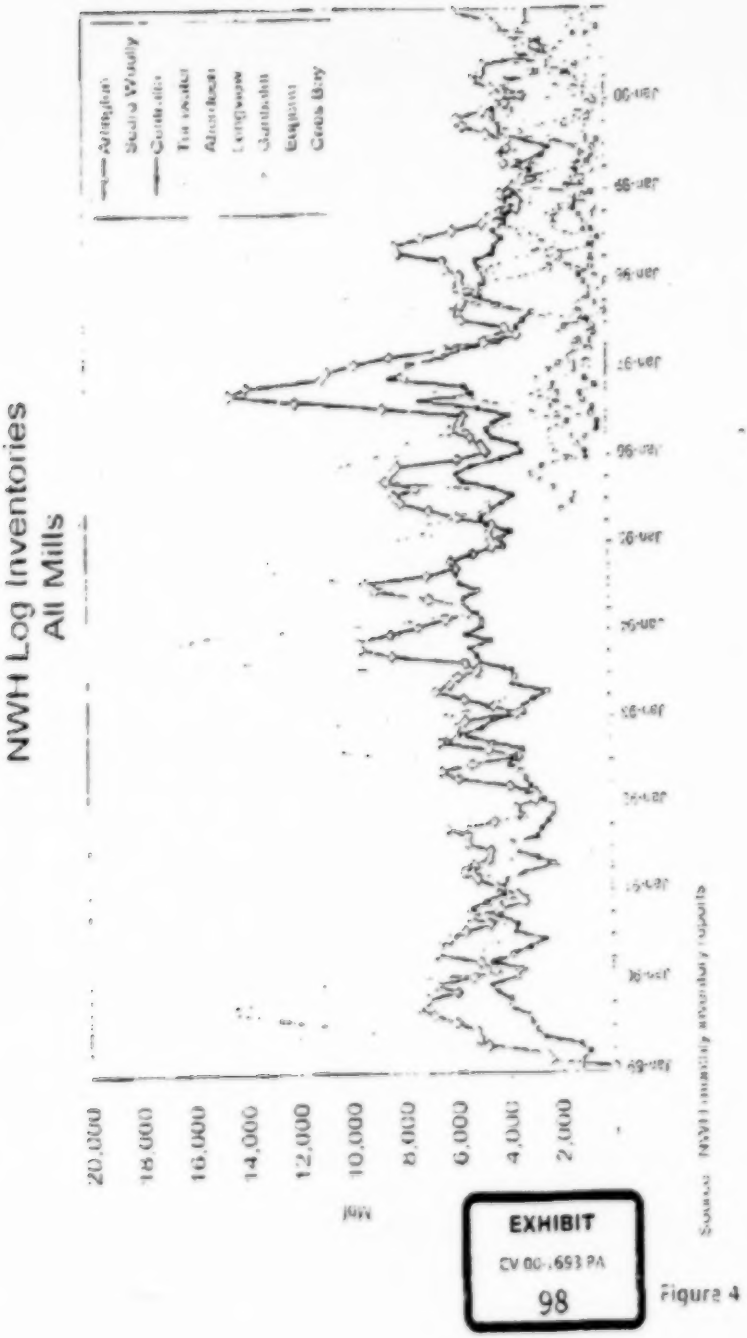


Figure 4

[Exhibit 99]

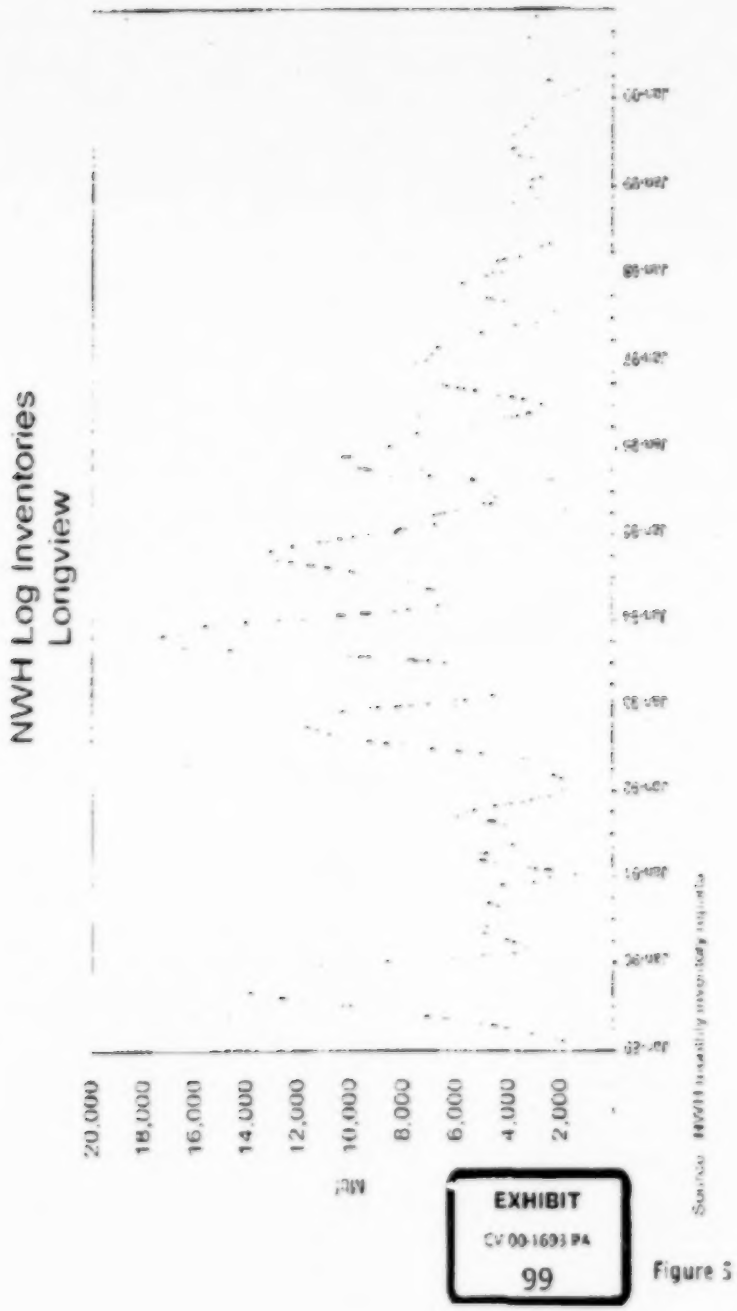
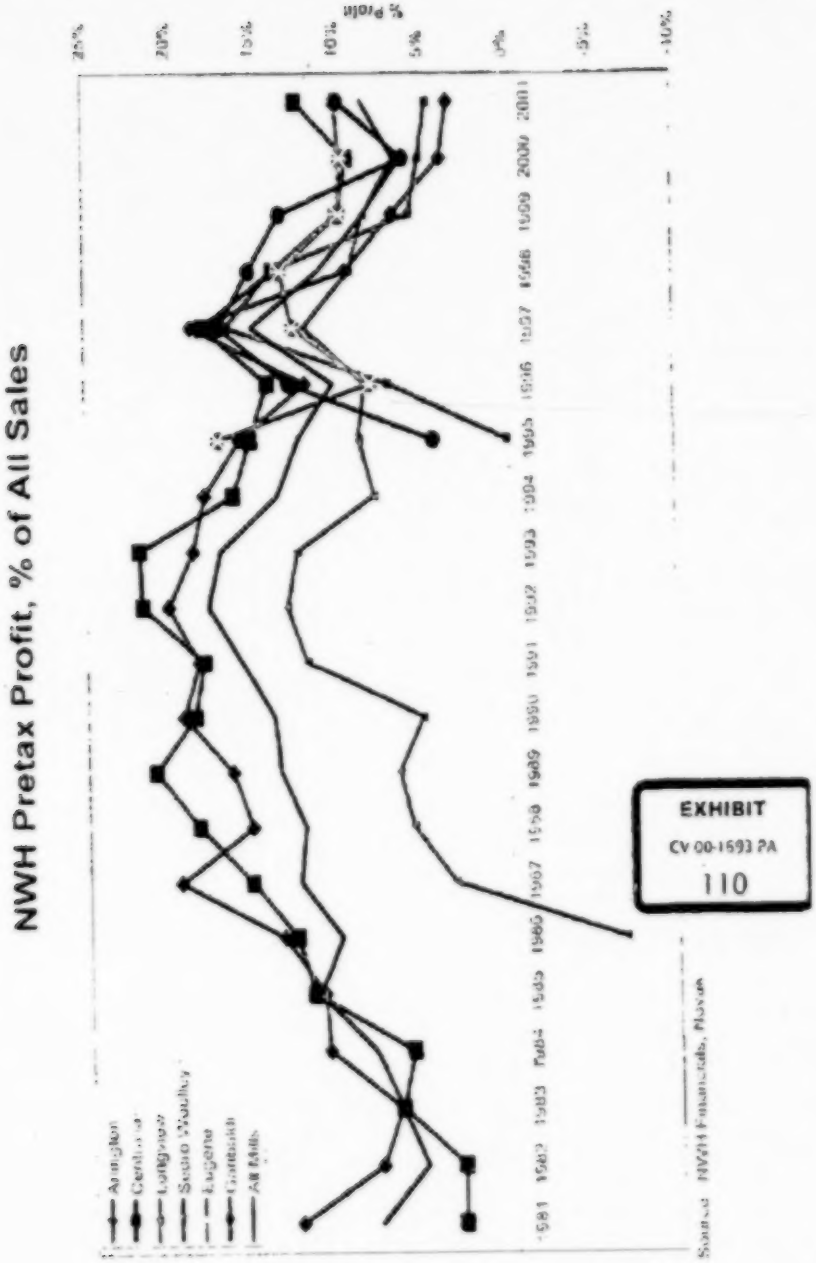
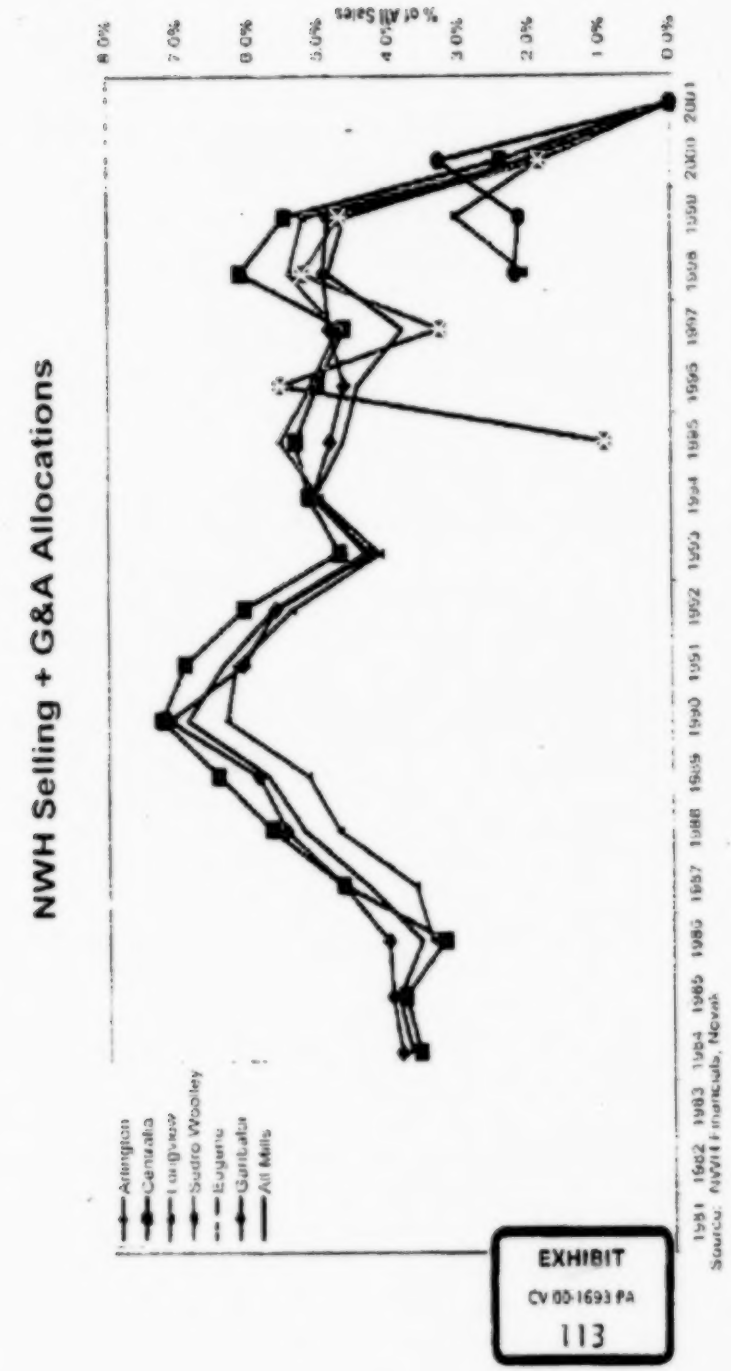


Figure 5

[Exhibit 110]


NWH Pretax Profit, % of All Sales
% Profit
EXHIBIT
CV 00-1693 PA
110

[Exhibit 113]


NWH Selling + G&A Allocations
% of All Sales
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
Arrington
Centralia
Longview
Sudro Woolley
Eugene
Gunbarrel
All Mills
1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001
Source: NWH Financials, Novak
EXHIBIT
CV 00-1693 PA
113

[Exhibit 1384]

NORTHWEST HARDWOODS

A Weyerhaeuser Business

Innovation

The people of Northwest Hardwoods are known for innovation. We started with one Washington alder mill in 1967, and after more than 30 years in business, we now cut approximately 400 million board feet of North American hardwoods. We have become one of the largest manufacturers of hardwood lumber in the world. We manufacture alder in seven mills located in British Columbia, Washington, and Oregon. We also manufacture a variety of other species including red and white oak, cherry, hard and soft maple, basswood, cottonwood and walnut, from sawmills in Wisconsin, Michigan, Pennsylvania, Arkansas, and Oklahoma.

Along the way, Northwest Hardwoods has notched a number of industry "firsts" both in marketing and sawmill technology. We were the first company to develop alder as a valued and dependable hardwood, and the first to develop a proprietary grading system designed to improve customer yield. Within our sawmill technology, Northwest Hardwoods designed an abrasive planer for hardwood lumber. Abrasive sanders produce a clear and uniform surface not associated with the industry's standard knife planing.

Our success brought us to the attention of Weyerhaeuser who acquired Northwest Hardwoods in 1980.

The two cornerstones of Northwest Hardwoods' marketing program are proprietary grades and program sales to our customer base.

Proprietary Grades

Developed in the 1970's, Northwest Hardwoods' proprietary grading system was designed to standardize lumber quality among the alder mills on the west coast, to refine the grades beyond NHLA standards, and to develop products that better matched our customer requirements. Our first key operating premise is product consistency. This means consistent manufacturing, drying and surfacing practices. By adhering to proprietary grades among all the mills, we can assure consistent quality and on-grade lumber with every load. We also grade after kiln-drying and surfacing, and ship on net tallies. This method takes into account shrinkage during kiln drying so that our customer is assured of a true tally.

Consultative Selling

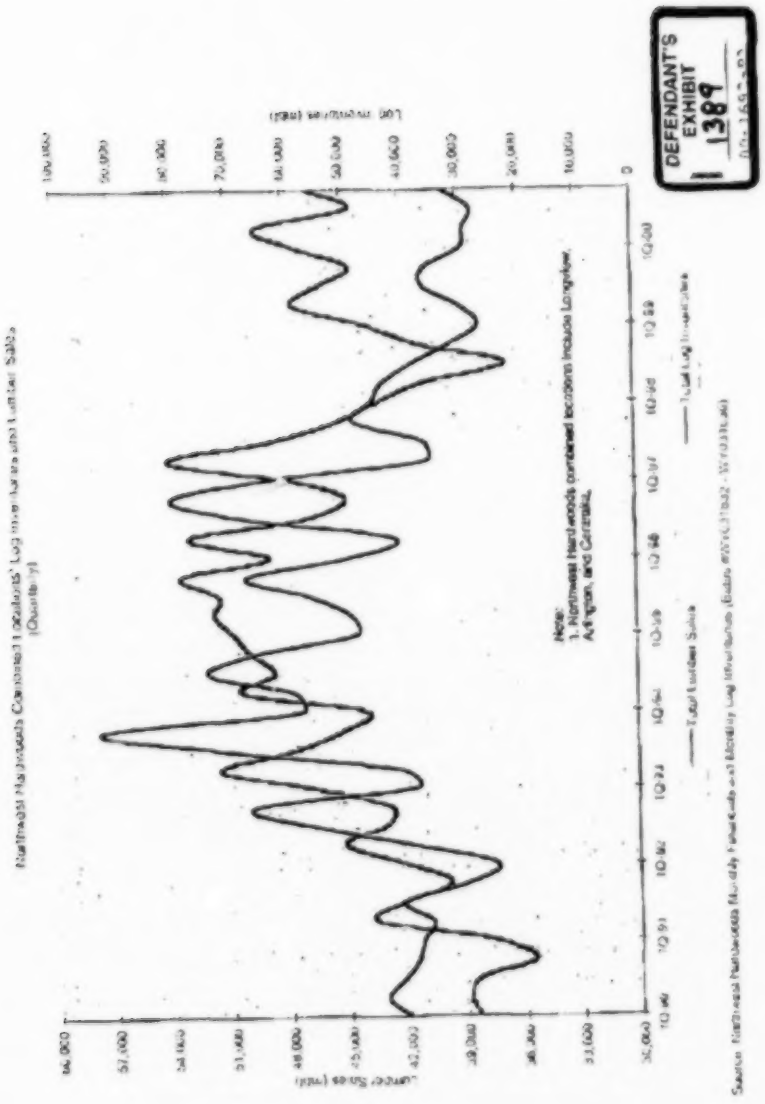
A second key premise is customer fit. The purpose of our proprietary grades is to match the right grade to the customer. This automatically improves his yield because the grade is designed to suit his particular manufacturing needs. How do we match the right grade to the right customer? By maintaining a highly skilled sales team educated in their customers' manufacturing processes. This requires knowledge of customer cut lists, throughput, and manufacturing processes. It's our customers, with the aid of our sales and quality control people, who define both our grades and services. Our goal as a company is to try to put our sawmill and production processes as close as possible to the customer's production processes and needs. This approach increases customer yields, which directly contributes to their bottom line.

Domestic Sales
Portland, Oregon, USA
ph: 503-246-5700 • fax: 503-245-3838

Export Sales
Federal Way, Washington, USA
ph: 253-874-3683 • fax: 253-838-2639

Email:
nwh@weyerhaeuser.com
www.northwesthardwoods.com

[Exhibit 1389]



[Defendant's Amended Proposed Verdict Form (Apr. 14, 2003)]

* * *

Defendant, Weyerhaeuser Company, hereby requests the following amended proposed Verdict Form.

* * *

VERDICT FORM

We, the Jury, unanimously find as follows:

QUESTION 1: Regarding the claims alleged by plaintiff Confederated Tribes of Siletz Indians of Oregon, we find in favor of:

ANSWER: (Place an "X" next to either of the following responses.)

_____ We find in favor of Confederated Tribes of Siletz Indians of Oregon.

_____ We find in favor of Weyerhaeuser Company.

If your answer to Question 1 is an "X" marked next to Confederated Tribes of Siletz Indians of Oregon, your verdict is for that plaintiff. You should then proceed to answer Question 2. If your answer to Question 1 is an "X" marked next to Weyerhaeuser Company, your [P. 2] verdict is for the defendant on this issue. You should then skip Question 2 and proceed to answer Question 3.

QUESTION 2:

The amount of damages, if any, that should be awarded to plaintiff Confederated Tribes of Siletz Indians of Oregon and against defendant Weyerhaeuser Company is:

_____.

QUESTION 3: Regarding the claims alleged by plaintiff Ross-Simmons Hardwood Lumber Company, we find in favor of:

ANSWER: (Place an "X" next to either of the following responses.)

_____ We find in favor of Ross-Simmons Hardwood Lumber Company.

_____ We find in favor of Weyerhaeuser Company.

If your answer to Question 3 is an "X" marked next to Ross-Simmons Hardwood Lumber Company, your verdict is for that plaintiff. You should then proceed to answer Question 4. If your answer to Question 3 is an "X" marked next to Weyerhaeuser Company, your verdict is for the defendant on this issue. You should then skip Question 4. The Presiding Juror should then sign and date this Verdict Form.

QUESTION 4:

The amount of damages, if any, that should be awarded to plaintiff Ross-Simmons Hardwood Lumber Company against defendant Weyerhaeuser Company is: _____.

The Presiding Juror should now and date this Verdict Form.

SO SAYS THE JURY UNANIMOUSLY.

DATED: April ____, 2003.

_____

[Defendant's Supplemental Requested Jury Instructions (Apr. 17, 2003)]

* * *

Defendant, Weyerhaeuser Company, requests that the Court provide to the jury the following supplemental requested jury instructions. This supplemental request is based on new issues and arguments presented by plaintiffs' counsel during trial.

* * *

[P. ii] **INDEX**

DEFENDANT'S INSTRUCTION NO. 25.	Tying – Not An Issue in this Case
DEFENDANT'S INSTRUCTION NO. 26.	Defendant's Internal Transfer Pricing

* * *

[P. 1] REQUESTED JURY INSTRUCTION NO. 25

Tying – Not an Issue in this Case

A tying arrangement is a marketing method whereby a seller will sell one of its products (referred to as the "tying product"), only on the condition that the buyer of the tying product also buy a different product (referred to as the "tied product"). For example, a supermarket that will sell flour only if its customers will also buy sugar is engaged in tying. In that example, flour would be the tying product, and sugar the tied product. In addition, not all tying arrangements are unlawful under the antitrust laws.

During the trial of this case, there has been occasional reference to the word "tying." You are instructed that there is no evidence of "tying" in this case, as that word is used in the antitrust laws. You are instructed not to consider tying as part of your deliberations.

AUTHORITY: American Bar Association, Sample Jury Instructions in Civil Antitrust Cases, page B-84 and B-85 (1999); Ninth Circuit Model Civil Jury Instructions 17 (2001).

* * *

[P. 2] **REQUESTED JURY INSTRUCTION NO. 26**

Defendant's Internal Transfer Pricing

Plaintiffs allege that Weyerhaeuser has charged itself for alder logs coming from its own timberlands to Weyerhaeuser's Northwest Hardwood" mill in Longview at less than "market prices." Defendant denies that allegation.

You are instructed that there is no law that requires a business to charge itself any particular internal price (or use any particular internal pricing method) for resources that it owns and desires to use as part of its manufacturing process.

AUTHORITY: The requested authority is simply a statement that there is no law prohibiting the described conduct. Defendant is aware of no such law.

[P. 3] DATED this 17th day of April, 2003.

Respectfully submitted,

PERKINS COIE LLP

By: _____

Michael H. Simon, OSB No. 86090
Thomas R. Johnson, OSB No. 01064
Julia E. Markley, OSB No. 00079
Christopher L. Garrett [Not admitted in Oregon]

Attorneys for Defendant, Weyerhaeuser Company

[Defendant's Memorandum in Support of Motion for Judgment as a Matter of Law (Liability) (Apr. 17, 2003)]

* * *

INTRODUCTION

Plaintiffs Confederated Tribes of Siletz Indians of Oregon ("Siletz") and Ross-Simmons Hardwood Lumber Co. ("Ross-Simmons") (collectively, "Plaintiffs") claim that Weyerhaeuser Company ("Weyerhaeuser") engaged in predatory practices in the purchasing of alder sawlogs in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2. Plaintiffs' evidence of alleged predatory practices supports nothing more than a charge that Weyerhaeuser inflicted economic harm on its [P. 2] rivals by raising their costs of doing business. That theory of predation has never accepted by any court where, as here, the defendant raised its own costs as much or greater than its rivals'. Accordingly, as a matter of law, Plaintiffs have insufficient evidence of predatory conduct to support a violation of Section 2. Weyerhaeuser respectfully requests that this Court grant its Motion for Judgment as a Matter of Law against Plaintiffs' monopolization and attempted monopolization claims and enter judgment in favor of Weyerhaeuser.

Alternatively, Weyerhaeuser's Motion should be granted with respect to several specific acts that Plaintiffs claim are anticompetitive. First, plaintiffs claim that Weyerhaeuser's log supply contracts with Georgia-Pacific ("G-P"), its log supply contracts with Crown Pacific Ltd. Partnership ("CP"), and the deed restrictions Weyerhaeuser imposed when it sold Eugene-area timberlands are anticompetitive. As a matter of law, however, those log supply contracts and deed restrictions do not violate Section 2 because they are not exclusive arrangements, they do not foreclose any significant share of the market, and Weyerhaeuser had legitimate business justifications for entering into them. Second, Plaintiffs claim that Weyerhaeuser intentionally made false statements to the

Oregon State Forester and the office of the Governor of the State of Washington to maintain a dominant share of the alder market. Plaintiffs failed to introduce any evidence showing that any of Weyerhaeuser's statements were intentionally false or that the statements caused plaintiffs any harm. Accordingly, Weyerhaeuser alternatively requests this Court to rule that Plaintiffs cannot base their Section 2 claims on the foregoing specific allegations.

Weyerhaeuser also moves for judgment as a matter of law against Plaintiffs' attempted monopolization claim. Plaintiffs have failed to introduce any evidence or elicit any testimony supporting the essential element that there was a dangerous probability that Weyerhaeuser would achieve monopoly power in any relevant market.

[P. 3] LEGAL STANDARDS

Federal Rule of Civil Procedure 50(a)(1) provides:

> If during a trial by jury a party has been fully heard on an issue and there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue, the court may determine the issue against that party and may grant a motion for judgment as a matter of law against that party with respect to a claim or defense that cannot under the controlling law be maintained or defeated without a favorable finding on that issue.

DISCUSSION

A. Plaintiffs' Evidence of Predatory Conduct Amounts to a Claim that Weyerhaeuser "Raised Rivals Costs," Which Is Not a Legally Recognized Theory of Predation Under These Circumstances.

Plaintiffs claim that Weyerhaeuser engaged in predatory practices in the purchasing of alder sawlogs. Plaintiffs' witnesses have testified that Weyerhaeuser, without regard to its own costs or log needs, bid up the price of alder logs with the

intent of driving competitors from the market. Plaintiffs also assert that Weyerhaeuser, through contracts or acquisition, and again without regard to its own requirements, locked up a portion of the available supply of alder logs so that Plaintiffs could not acquire logs at a reasonable price. (Those contracts are discussed in more detail below.)

These claims are all variations of a claim that Weyerhaeuser employed a strategy of inflicting economic harm on its rivals by raising their costs of doing business, and that Weyerhaeuser was willing to raise its own costs in the process. Moreover, Plaintiffs' witness William Nelson testified that Weyerhaeuser engaged in these practices over a 20-year period. In general, Plaintiffs allege that they were forced out of business because they could not afford to pay the same log prices that Weyerhaeuser was paying.

Plaintiffs' predation theory—known as "raising rivals' costs"—has never been accepted in the federal courts in the form and under the economic conditions alleged by Plaintiffs. Specifically, no court has adopted that theory in a case where the alleged predator *raised its own* [P. 4] *costs* in addition to allegedly raising the costs of its rivals. Such a claim is essentially a type of predatory pricing claim without the element of "below cost" pricing. Furthermore, any predatory pricing claim here fails as a matter of law because Plaintiffs have no evidence that Weyerhaeuser priced its alder lumber below an appropriate measure of its costs, either marginal or average variable. A predatory pricing claim requires a showing that the alleged predator absorbed actual losses—either by selling outputs below an appropriate measure of its costs or by purchasing inputs at prices that exceeded revenues ultimately received for those inputs. Plaintiffs merely argue that Weyerhaeuser made less of a profit than it could have made. This claim, even if true, is not cognizable predatory conduct under the antitrust laws.

1. Plaintiffs' theory has never been adopted in the form that they urge.

The "raising rivals' costs" theory has received considerable attention (and criticism) in scholarly journals, but it has not been generally accepted in the federal courts. See E. Thomas Sullivan & Jeffrey L. Harrison, *Understanding Antitrust and Its Implications*, at 6.04[G] (3rd ed. 1998) (stating that the theory of raising rivals' costs has received "considerable attention from commentators, but scant attention from the courts"). The theory has been cited only once in the Ninth Circuit. *See Forsyth v. Humana, Inc.*, 114 F.3d 1467, 1478 (9th Cir. 1997). As this Court noted in its Opinion denying Weyerhaeuser's Motion for Summary Judgment, *Forsyth* is distinguishable because the plaintiffs in that case were not competitors of the defendant. Even more significantly, that case is also distinguishable on the ground that in *Forsyth*, the defendant did not increase its own costs at all when it allegedly raised the plaintiff's costs. In *Forsyth*, the defendant hospital allegedly diverted indigent or low-paying patients to other area hospitals. *Forsyth*, 114 F.3d at 1478. That would have *lowered* the defendant's own costs. Here, Plaintiffs contend that Weyerhaeuser raised the costs of alder sawlogs to *itself* as well as to its competitors.

No federal case has ever applied the theory of "raising rivals' costs" to a situation where the alleged predator raised its own costs in addition to those of its rivals. Moreover, the cases cited in *Forsyth* all involved situations where rivals' costs were allegedly raised at no cost to the [P.5] defendant. *See, e.g., Multistate Legal Studies, Inc. v. Harcourt Brace Jovanovich Legal and Prof. Pubs., Inc.*, 63 F.3d 1540, 1553 (10th Cir. 1995) (defendants allegedly created schedule conflicts between their course offerings and those of their competitors); *Premier Elec. Constr. Co. v. Nat'l Elec. Contractor's Ass'n*, 814 F.2d 358, 368 (7th Cir. 1987) (defendant association, whose members contributed 1% of gross payroll to collective bargaining fund, used union to obtain

1% contributions from non-members, thus raising non-members' costs).

2. Plaintiffs' theory is essentially a predatory pricing claim that fails as a matter of law because Plaintiffs cannot show and have not alleged that Weyerhaeuser engaged in below-cost pricing

In theory, predatory pricing involves an alleged monopolist, hoping to drive competitors out of business, selling its goods below cost, driving down the market price so that neither it nor its competitors can make a profit. If successful, this leaves the monopolist free to raise prices and thereby recoup its earlier losses. A plaintiff alleging predatory pricing must demonstrate both: (1) that the prices complained of are below an appropriate measure of the alleged monopolist's costs, and (2) that the alleged monopolist has a reasonable chance of eventually recouping the losses. *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 222-24 (1993) (discussing the requirements of predatory pricing and also its "general implausibility"); *Rebel Oil*, 146 F.2d at 1092. The federal courts place a high burden on plaintiffs alleging predatory pricing. "The Supreme Court has expressed extreme skepticism of predatory pricing claims." *Stearns Airport Equip. Co., Inc. v. FMC Corp.*, 170 F.3d 518, 527 (5th Cir. 1999). *See Matsushita*, 475 U.S. at 589 (noting that "the success of such schemes is inherently uncertain: the short-run loss is definite, but the long-run gain depends on successfully neutralizing the competition").

In claiming that Weyerhaeuser raised its own costs along with theirs, Plaintiffs are essentially claiming that Weyerhaeuser engaged in "predatory bidding." To succeed on a "predatory bidding" theory, however, instead of proving that Weyerhaeuser sold the manufactured output at a loss, Plaintiffs must prove: (1) that Weyerhaeuser sustained a loss by purchasing its inputs (alder logs) at prices such that Weyerhaeuser could not make a profit on their manufacture [P. 6]

and sale as alder lumber (i.e. that Weyerhaeuser's marginal costs exceeded its marginal revenues); and (2) that Weyerhaeuser has a reasonable chance of recouping these losses in the future.[1]

Plaintiffs' theory fails because they have failed to introduce any evidence that Weyerhaeuser ever lost money in selling alder lumber. The financial data show not only that Weyerhaeuser's alder mills made profits overall, but also that incremental log purchases added to profits. Thus, Plaintiffs fail to meet the first element of the test for predatory pricing because they cannot show that Weyerhaeuser priced its lumber below "an appropriate level of its costs." *Brooke Group*, 509 U.S. at 222-23. Indeed, Plaintiffs fail even to allege such conduct. Rather, they argue that Weyerhaeuser could have earned greater profits if only it had purchased logs at a lower price. But even if this were true, it is legally irrelevant.

To prove predatory pricing, Plaintiffs must demonstrate that Weyerhaeuser engaged in below-cost pricing. *See Brooke Group*, 509 U.S. at 223 ("[W]e have rejected elsewhere the notion that above-cost prices that are below general market levels or the costs of a firm's competitors inflict injury to competition cognizable under the antitrust laws") (citing *Atlantic Richfield Co. v. USA Petroleum Co.*, 495 U.S. 328, 340 (1990)). In short, Plaintiffs have introduced no evidence, even on the margin, of Weyerhaeuser purchasing logs with the result (let alone the intention) of losing money. Because Plaintiffs' conception of predatory conduct would fail under the standard for a predatory pricing claim, this Court should reject a "raising rivals' costs" theory that depends on the same conception.

---

[1] As to this second requirement, it should be noted that Plaintiffs' witness William Nelson claims Weyerhaeuser has been sustaining these "losses" for 20 years. *See* W. Nelson Statement at 4.

Accordingly, Weyerhaeuser requests that this Court enter judgment in favor of Weyerhaeuser on Plaintiffs' monopolization and attempted monopolization claims.

[P. 7] **B. Weyerhaeuser's Supply Contracts and Deed Restrictions Are Legal Arrangements**

1. Factual background of the supply contracts and deed restrictions

In 1996, G-P approached Weyerhaeuser and suggested that the parties enter into a written log supply contract. See Testimony of David M. Kurtz; Testimony of Larry Bray; Pls.' Exh. 429. After protracted negotiations, Weyerhaeuser and G-P entered into a one-year log supply agreement on January 1, 1998. Pls.' Exh. 430. In that contract, Weyerhaeuser agreed to sell 40,000 green tons of its whitewood pulp logs in Washington State to G-P. G-P agreed to sell to Weyerhaeuser 80 percent of its annual hardwood sawlog production from its Toledo tree farm. On January 19, 1999, Weyerhaeuser and G-P entered into another one-year contract. Pls.' Exh. 431. Again, Weyerhaeuser agreed to sell to G-P 40,000 green tons of its whitewood pulp logs. G-P agreed to sell to Weyerhaeuser 70 percent of its annual hardwood sawlogs production from its Toledo tree farm. Under both agreements, the price was to be based on the current market price and would be set at intervals throughout the contract term.

In 1998 and 1999, Weyerhaeuser and CP entered into three different supply agreements. First, on November 19, 1998, CP agreed to sell to Weyerhaeuser approximately 2,500 thousand board feet ("MBF") over a five-month period. Pls.' Exh. 432. The contract price was $1,125,000. On March 31, 1999, the parties entered into a second agreement wherein CP agreed to sell 1,695 MBF from its Olympic tree farm over a nine-month period for $874,620. Pls.' Exh. 433. On that same day, the parties entered into a third agreement. In their third agreement, CP agreed to sell 4,500 MBF from

its Hamilton tree farm over a 13-month period for $2,025,000. Pls.' Exh. 434.

In 1995, Weyerhaeuser purchased Diamond Lumber's sawmill and timberlands in the Eugene, Oregon, vicinity. In late 1998 and early 1999, Weyerhaeuser sold approximately 4,200 acres of those timberlands in several transactions to different buyers. In each deed, Weyerhaeuser [P. 8] reserved "the right to purchase all alder sawlogs harvested on the property" for the period ending on December 31, 2001 (approximately three years). Pls.' Exh. 481.

2. Legal Standards Governing Exclusive Contracts

Plaintiffs claim that the G-P and CP contracts and the deed restrictions are illegal exclusive arrangements under Section 2. Exclusive contracts are examined under the "rule of reason." *Jefferson Parish Hosp. Dist. No. 2 v. Hyde,* 446 U.S. 2 (1984); *Tampa Elec. Co. v. Nashville Coal Co.,* 365 U.S. 320, 329 (1961). Under the rule of reason, a court inquires into the actual effect of the exclusive contract on competition, the duration of the contract, the existence of an alternative source of competitors' supply, and the business justifications for the contract. *Jefferson Parish,* 446 U.S. at 29.

Only those exclusive arrangements whose "probable" effect is to "foreclose competition in a substantial share of the line of commerce affected" violate the antitrust laws. *Tampa Elec.*, 365 U.S. at 327; *Omega Envtl., Inc. v. Gilbarco, Inc.*, 127 F.3d 1157, 1162 (9th Cir. 1997). Foreclosure of twenty percent or less is presumptively legal. *See, e.g., Retina Assocs. v. Southern Baptist Hosp. of Florida,* 105 F.3d 1376 (11th Cir. 1997) (15 percent foreclosure insufficient); *see also* 11 Areeda, 1821c at 160 (stating that foreclosure percentages of less than 20 percent is harmless to competition; citing additional authority). If a contract is not actually exclusive, then the possibility of foreclosure reduces significantly. *Barry Wright Corp. v. ITT Grinnell Corp.*, 724 F.2d

227, 236-238 (1st Cir. 1983) (Breyer, J.) (rejecting plaintiff's characterization of large requirements contracts as "exclusive").

Even a high foreclosure percentage creates no injury to competition if no one is being excluded in fact by the arrangement. *Omega*, 127 F.3d at 1164. In *Omega*, the court upheld exclusive distributing arrangements that foreclosed 38 percent of the relevant market because, a manufacturer (a competitor of the defendant) had entered the market during the relevant time and was able to establish a distribution system despite the exclusive distributorship agreements. 127 F.3d at 1164.

[P. 9] A one-year exclusive agreement is presumptively legal. *Roland Mach. Co. v. Dresser Indus., Inc.*, 749 F.2d 380, 395 (7th Cir. 1984) ("exclusive dealing contracts terminable in less than a year are presumptively lawful"); 11 Areeda, 1821d3 at 167; *see also Omega*, 127 F.3d at 1164-65 (upholding one-year exclusive distributorship agreement). Courts have also approved two- and three-year exclusive agreements. Courts have also approved two- and three-year exclusive agreements; *see also Omega*, 127 F.3d at 1164 (quoting with approval two-year reasonableness rule in *Barry Wright*, 724 F.2d at 237).

The existence of an alternative source of supply indicates that an exclusive contract is not anticompetitive. *Omega*, 127 F.3d at 1163 ("The short answer is that the antitrust laws were not designed to equip the plaintiffs' hypothetical competitor with [the defendant's] legitimate competitive advantage. . . . Competitors are free to sell directly, to develop alternative distributors, or to compete for the services of the existing distributors. Antitrust laws require nothing more.").

If Weyerhaeuser had "valid business reasons" for its conduct, then it did not violate Section 2. *Eastman Kodak Co. v. Image Technical Servs., Inc.*, 504 U.S. 451 (1992). The Supreme Court has specifically acknowledged that supply con-

tracts are economically advantageous to both buyers and sellers: "In the case of the buyer it may assure supply, while on the part of the seller it may make possible the substantial reduction of selling expenses, give protection against price fluctuations, and offer the possibility of a predictable market." *Tampa Electric*, 365 U.S. at 334 (quoting *Standard Oil Co. v. United States*, 337 U.S.S 293, 306 (1949) (internal quotation marks omitted)); *accord* 11 Areeda, 1811b at 128-29.

3. Weyerhaeuser's Supply Contracts and Deed Restrictions Are Legal

Weyerhaeuser's supply contracts and deed restrictions do not violate Section 2 of the Sherman Act because they were not exclusive, they did not foreclose a significant share of the market, and their time periods were not excessive. The small foreclosure means that competitors, [P. 10] like Plaintiffs, had alternative supply sources. Moreover, Weyerhaeuser had legitimate business justifications for the G-P and CP supply contracts and for the deed restrictions.

First, the G-P contracts, the CP contracts, and the deed restrictions were not exclusive. As to the contracts, there are no exclusivity clauses in any of the contracts or deed restrictions. In fact, G-P sold logs from its Toledo tree farm to third parties. The provision in the G-P contracts that "Nothing herein shall be construed to allow G-P to sell the logs to any third party," refers only to those logs G-P used internally, as it comes in the paragraph relating to G-P's right to use logs internally. Mr. David Kurtz, the G-P Vice-President who signed the contracts, so testified. The deed restrictions are not exclusive, as they simply grant Weyerhaeuser the right of first refusal to purchase alder sawlogs from the property. If Weyerhaeuser did not want to buy the property owner's logs, then the property owner was free to put the logs on the open market. Because the log supply contracts and the deed restrictions are not exclusive, they do not viola-

tion Section 2. *See Barry Wright*, 724 F.2d at 237 (upholding large requirements contract).

Second, Plaintiffs have failed to introduce any evidence of the extent of the market foreclosed by the G-P contracts, the CP contracts, or the deed restrictions. To prove their Section 2 claim with respect to those arrangements, Plaintiffs had to introduce evidence that the foreclosure rate approached 40 percent. *See Omega*, 127 F.3d at 1164 (upholding exclusive arrangement that foreclosed 38 percent of market). They have wholly failed to show what share of the market was foreclosed by these arrangements and, on that point alone, plaintiffs have failed to prove that the supply contracts and deed restrictions are anticompetitive. Moreover, there is evidence that Westwood Industries opened a sawmill entered the Eugene-area market during the relevant time, which shows there was no actual exclusion.

Third, evidence shows that many alternative supply sources were available to the Plaintiffs. In fact, numerous witnesses testified that the Joint Venture mill was able to purchase logs from small landowners and many other log suppliers.

[P. 11] Fourth, the short one- to three- year terms of the log supply contracts and the deed restrictions support their legality. As noted above, courts routinely uphold exclusive arrangements of such duration.

Finally, Weyerhaeuser had a legitimate business justification to enter into the challenged log supply contracts and deed restrictions: it desired to secure a steady supply of logs at a favorable price. The Supreme Court has recognized exactly that justification in *Tampa Electric*. 365 U.S. 334 (stating that requirements contract "may well be of economic advantage to buyers as well as to sellers").

C. Plaintiffs Have Failed to Introduce Sufficient Evidence of Any Intentional False Statements

Plaintiffs have alleged that Weyerhaeuser intentionally made false statements to the Oregon State Forester and the office of the Governor of the State of Washington to maintain a dominant share of the alder market. Plaintiffs have failed to introduce any evidence that Weyerhaeuser's statements were intentionally false or that the statements caused Plaintiffs any harm. Accordingly, this Court should rule as a matter of law that Plaintiffs cannot base any of their Section 2 claim on this allegation.

D. Plaintiffs Have Failed to Introduce Sufficient Evidence on Their Attempted Monopolization Claim

An essential element of a claim of attempted monopolization is that the plaintiff must prove by a preponderance of the evidence that there was a dangerous probability that the defendant would successfully achieve monopoly power in the relevant market. *Forsyth v. Humana, Inc.*, 114 F.3d 1467, 1477 (9th Cir. 1997). Plaintiffs have failed to introduce any evidence supporting this element of their attempted monopolization claim.

All Plaintiffs' witnesses who have testified on the issue of monopoly power have testified that Weyerhaeuser actually had and still does have monopoly power in the alder log and alder lumber markets. Even if Plaintiffs are correct that the alder log or alder lumber is the relevant [P. 12] product market[2], the only reasonable inference supported by their evidence is that Weyerhaeuser actually possessed monopoly power. Therefore, there is no basis that Weyerhaeuser was dangerously close to achieving monopoly power. Weyerhaeuser requests that this Court grant its motion for judgment as a matter of law against Plaintiffs' attempted monopolization claim.

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[2] Weyerhaeuser contends that the only relevant market is the domestic or international hardwood lumber market.

CONCLUSION

For the foregoing reasons, Weyerhaeuser respectfully requests that this Court grant its Motion for Judgment as a Matter of Law and enter judgment in favor of Weyerhaeuser. Alternatively, Weyerhaeuser requests that this Court hold grant its Motion against Plaintiffs' claims to the extent they are based on the G-P and CP supply contracts, the deed restrictions, and the alleged false statements made to the States of Oregon and Washington. Weyerhaeuser also requests that this Court grant its Motion against Plaintiffs' attempted monopolization claim.

DATED this 17th day of April, 2003.

Respectfully submitted,

PERKINS COIE LLP

By:_____

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Attorneys for Defendant,
Weyerhaeuser Company

[Court's Draft Jury Verdict Form (Apr. 18, 2003)]

* * *

We, the Jury, unanimously find as follows:

QUESTION 1: Have the Plaintiffs established, by a preponderance of the evidence, that there is a relevant market for alder sawlogs in the Pacific Northwest?

Yes_____ No_____

QUESTION 2: Have the Plaintiffs established, by a preponderance of the evidence, that there is a relevant market for finished alder lumber in the United States?

Yes_____ No_____

[P. 2] If you answered "yes" to Question 1, or to Question 2, or both, then you should proceed to Question 3-A. If you answered "no" to both Questions 1 and 2, then your verdict is for the Defendant and you should not answer the remaining questions.

QUESTION 3-A: Has Plaintiff Ross-Simmons Hardwood Lumber Company ("Ross Simmons") proven, by a preponderance of the evidence, its claim for monopolization?

Yes_____ No_____

QUESTION 3-B: If your answer to Question 3-A is yes, what sum of damages do you award to Ross-Simmons?

$_____

QUESTION 4-A: Has Plaintiff Ross-Simmons proven, by a preponderance of the evidence, its claim for attempted monopolization?

Yes_____ No_____

QUESTION 4-B: If your answer to Question 4-A is yes, what sum of damages do you award to Ross-Simmons?

$_____

Do not be concerned about duplicating the damages, if any, awarded to Ross-Simmons in 3-B. The court will make any necessary adjustments.

[P. 3] **QUESTION 5-A:** Has Plaintiff Confederated Tribes of Siletz Indians of Oregon ("the Siletz Tribe") proven, by a preponderance of the evidence, its claim for monopolization?

Yes_____ No_____

QUESTION 5-B: If your answer to Question 5-A is yes, what sum of damages do you award to the Siletz Tribe?

$_____

QUESTION 6-A: Has Plaintiff Siletz Tribe proven, by a preponderance of the evidence, its claim for attempted monopolization?

Yes_____ No_____

QUESTION 6-B: If your answer to Question 6-A is yes, what sum of damages do you award to the Siletz Tribe?

$_____

Do not be concerned about duplicating the damages, if any, awarded to the Siletz Tribe in 5-B. The court will make any necessary adjustments.

DATED: April _____, 2003. _____

Presiding Juror

[Court's First Draft of Jury Instructions (Apr. 17, 2003)]

* * *

Members of the jury, you have heard all the evidence in this case and it is now your duty to decide the facts and reach your decision.

I will tell you the law that you must follow in reaching your decision. Although you may think the law is, or should be, different, you are bound by your oath to apply the law that I give to you.

During the trial, I have occasionally sustained objections to questions or pushed the attorneys to keep this trial moving along. You should not construe anything that I have said or done as expressing an opinion regarding the evidence or which party your verdict should be for.

This case should be considered and decided by you as an action between persons of equal standing in the community, of equal worth, and holding the same or similar stations in life. A corporation is entitled to the same fair trial at your hands as a private individual. The law is no respecter of persons. All persons, including corporations, partnerships, tribes, and other organizations, stand equal before the law, and are to be dealt with as equals in a court of justice.

Your decision must be based solely on the evidence. Do not allow bias, prejudice or sympathy to influence you. The evidence consists of the testimony of the witnesses, the exhibits you will have in the jury room, and any facts to which the parties have agreed. A list of stipulated facts and a glossary are in [P. 2] your juror notebooks. Additional stipulations were read to you during the trial. When the parties stipulate to a fact, you should consider that fact to be true.

The comments of the attorneys are not evidence. If your recollection of the evidence differs from that of the attorneys, rely upon your own memory.

Evidence may be direct or circumstantial. Direct evidence is direct proof of a fact, such as testimony by a witness about what the witness personally saw or heard or did. Circumstantial evidence is proof of one or more facts from which you could find another fact. You should consider both kinds of evidence. The law makes no distinction between the weight to be given to either direct or circumstantial evidence. It is for you to decide how much weight to give to any evidence.

You are the judges of whether the witnesses were telling the truth when they testified. You must presume that each witness told the truth, but you are free to decide otherwise based on the manner in which the witness testified, the motive or bias of the witness, or if there was other different evidence which you believe. If you find that a witness intentionally lied in one part of his or her testimony, you are free to disregard anything else that witness said. You are the judges of how much weight a witness's testimony deserves. In considering testimony you are permitted to form reasonable conclusions by using your good common sense.

You should not decide a fact merely by counting the number of witnesses or exhibits. The testimony of one witness whom you believe is enough to prove any fact in dispute.

You have heard testimony from persons who, because of their education or experience, are permitted to state opinions and the reasons for their opinions.

[P. 3] Expert testimony should be judged like any other testimony. You may give it whatever weight you think it deserves, considering the education and experience of the expert witness, the reasons given for the opinion, and all the other evidence in the case. If, in reaching an opinion, an expert relied on certain facts that you find were not true, you are free to disregard that opinion.

Questions have been asked in which a witness was requested to assume that certain facts were true, and to give an opinion based on those assumed facts. These are called hypothetical questions. If you find that material facts assumed and relied upon by the witnesses in forming an opinion were not established by the evidence or were untrue, you may disregard that opinion.

Some parties to this case are corporations. A corporation is responsible for the acts of its directors, officers, employees, or other agents, when such acts are performed in the course of conducting the corporation's business. You should regard such actions as the acts of the corporation. To the extent a corporation's intentions or motives are at issue in this case, you may impute to a corporation the intentions and motives of its directors, officers, employees, or other agents in conducting the corporation's business.

In a moment, I will instruct you on the law that governs the particular claim in this case, and I will tell you that the Plaintiffs have the burden of proving their claims by a preponderance of the evidence. The term "preponderance of the evidence" means the greater weight of evidence. It is such evidence that when weighed with that opposed to it, has more convincing force and is more probably true and accurate. If, upon any question in the case, the evidence appears to be equally balanced, or if you cannot say upon which side it weighs more heavily, you must resolve that question against the plaintiff upon whom the burden of proof [P. 4] rests. You should base your decision on all of the evidence, regardless of which party presented it.

Plaintiffs' Claims

I will now instruct you on the law governing the particular claims in this case. The Plaintiffs are the Confederated Tribes of Siletz Indians of Oregon and the Ross-Simmons Hardwood Lumber Co. The Defendant is the Weyerhaeuser

Company. You should decide the case as to each plaintiff separately.

The Plaintiffs seek damages for injuries they claim to have sustained as a result of Defendant's alleged violations of the antitrust laws of the United States. Plaintiffs contend that the Defendant unlawfully monopolized or attempted to monopolize the markets for alder sawlogs and finished alder lumber, in violation of Section 2 of the Sherman Antitrust Act. Defendant denies those allegations.

The purpose of the Sherman Act is to preserve and advance our system of free enterprise by encouraging, to the fullest extent practicable, free and open competition in the marketplace, and by preventing unreasonable restraint or monopolization of any business or industry. The Sherman Act protects competition, not particular competitors. The mere fact that a particular company is unable to compete in the market place, or goes out of business, does not establish a violation of the antitrust laws. Only conduct that unfairly tends to destroy competition itself violates the Sherman Antitrust Act. In other words, the Plaintiffs must prove that Defendants acts injured not only the plaintiff itself, but also injured competition in the relevant market.

The antitrust laws apply to more than just retail sales of finished goods to end users such as a family. The antitrust laws also protect businesses that purchase goods for their own use, or that buy or sell raw materials to be [P. 5] transformed into other products. In other words, the antitrust laws apply to "inputs" as well as "outputs."

Monopolization and attempted monopolization are two distinct claims, with somewhat different elements. You should analyze those claims separately.

Monopolization Claim

To prevail on its claim for unlawful monopolization, a Plaintiff must prove each of the following elements by a preponderance of the evidence:

First, that the Defendant had monopoly power in a relevant market;

Second, that the Defendant willfully acquired or maintained that power through anti-competitive conduct; and

Third, that the Plaintiff was injured in its business or property because of Defendant's anti-competitive conduct.

A Plaintiff must prove, by a preponderance of the evidence, all three of those elements in order to prevail on its monopolization claim. If you find that a Plaintiff did not prove one or more of those three elements, then your verdict on that claim would be for the Defendant and against that Plaintiff.

Before you can decide whether the Defendant has monopoly power, you must first define the scope of the "relevant market." There are two aspects to this: (1) the "product market" and (2) the "geographic market."

The "relevant product market" includes the specific products at issue, along with any other products that, though not necessarily identical, are reasonable substitutes from a buyer's point of view. In other words, the relevant product market includes those products that compete meaningfully with each other. Plaintiffs contend there are two relevant product markets in this case: the alder sawlog market and the finished alder lumber market. Defendant contends [P. 6] that the only relevant product market is the finished hardwood lumber market.

There are a number of factors you may consider in determining whether products are reasonable substitutes for each other. The basic test is whether changes in the price of one product cause a considerable number of customers to switch from one product to another. If so, the products are in

the same market. You also may consider how people in the industry and the public at large view the products; whether the products have the same or similar characteristics or uses; whether the products have similar prices; whether changes in the price of one product are followed by changes in the price of the other product; whether the products are sold to similar customers; and whether they are distributed and sold by the same kinds of distributors or dealers.

You have heard references to the term "submarket." A submarket is just another way of defining the relevant market. For purposes of this case, the terms "market" and "submarket" are synonymous.

The second factor you must consider, in determining the relevant market, is the "relevant geographic market." This is the area in which the Defendant faces competition from suppliers that (1) are in the relevant product market, and (2) to which a buyer can practicably turn for supplies. This relevant geographic market can be as large as the entire world or the United States or as small as a single community. Plaintiffs contend the relevant geographic market for alder sawlogs is the Pacific Northwest, and the relevant geographic market for finished alder lumber is the United States. Defendant contends that the relevant geographic market is at least the entire United States.

To determine the proper geographic market, you may consider whether changes in prices at one location have fairly direct substantial effects on prices [P. 7] or sales at other locations, and if people in the industry and the public at large view sellers in the different locations as being in competition with each other. Such evidence would tend to prove that these different locations are in the same relevant geographic market.

You also may consider how readily sellers can and do shift from selling in one location to selling in another. Evidence that sellers shift readily among different locations in

response to price changes would tend to indicate that the different locations are in the same geographic market.

In addition, you may consider where purchasers, as a practical matter, can and do buy the product; that is, whether buyers residing in one area buy from the same sources as buyers residing in another area or if they buy from local sources rather than more distant sources because they find it more convenient or practical to do so. In this regard, you may consider whether an increase in prices charged by suppliers in one location would cause a substantial number of purchasers to turn to more remote sources of supply. If so, the two locations are part of the same geographic market.

Once you have defined the relevant market or markets, you must then determine whether defendant has monopoly power in that market. "Monopoly power" in sales of finished products is the power to control selling prices in, or to exclude competition from, the relevant market.

A "monopsony" is a monopoly on the buyer side of the transaction. A "monopsonist" has the power to control the purchase price of an item that is necessary in the production of a product, or to exclude competition. When I refer in these instructions to a monopoly or to monopoly power, that term also includes a monopsony unless the context indicates otherwise.

[P. 8] The "power to control prices" is the power of a company to establish appreciably higher prices for goods sold than those charged by competitors for equivalent goods without a substantial loss of business to competitors. Thus, if a company that has raised prices on goods sold eventually has to lower its prices to the level of prices charged by its competitors, it may not have monopoly power in the sense of power to control prices. A similar rule applies to a monopsonist, except the power to control prices is the power to reduce the price the monopsonist must pay for the raw materials or goods that it purchases.

The "power to exclude competition" means the power of a company to dominate a market by eliminating existing competition from that market or by preventing new competition from entering the market.

To establish the possession of monopoly power, the Plaintiffs need not prove that prices were raised or that competition actually was excluded, but only that the Defendant had the power to raise prices or exclude competition. A company may face some competition in the relevant market and still have monopoly power. Likewise, a monopsonist need only have the power to lower prices or exclude competition, regardless of whether that power has actually been exercised yet.

You may infer that Defendant has monopoly power in a market if you find that (1) defendant controls a dominant share of that market and (2) there are significant barriers to entry to that market and existing competitors lack the capacity to increase their output significantly in the short run.

"Market share" is a firm's share of total industry sales expressed as a percentage. If you determine that the Defendant's share of the relevant market is less than 50 percent, that market share by itself does not permit you to infer [P. 9] that the Defendant has monopoly power. If you determine that Defendant's share of the relevant market is 80 percent or higher, that is strong evidence of the existence of monopoly power. If you determine that Defendant's market share is somewhere between 50 percent and 80 percent, you may infer the existence of monopoly power from that share, and the inference is stronger the higher Defendant's market share is within that range.

You also may consider the trend in Defendant's market share. A declining market share may indicate the absence of monopoly power, though it does not foreclose such a finding, while an increasing market share may indicate the opposite.

Another factor that you may consider is the number and size of the Defendant's competitors. If these are few, weak, or have small or decreasing market shares, so that they do not offer substantial competition to Defendant in the relevant market, this may tend to indicate that Defendant has monopoly power. If, on the other hand, they are numerous, vigorous, or have large or increasing shares in that market, this may be evidence that Defendant does not have monopoly power.

If you find that Defendant has monopoly power in one or more relevant markets, as alleged by the Plaintiffs, you should then determine whether Defendant willfully acquired or maintained that monopoly power through anti-competitive conduct.

Anti-competitive conduct is conduct that has the effect of wrongly preventing or excluding competition, or frustrating or impairing the efforts of other firms to compete for customers within the relevant market, making it very difficult or impossible for competitors to engage in fair competition. Not [P. 10] everything that enables a company to gain or maintain a monopoly is anti-competitive.

In deciding whether conduct is anti-competitive, you should consider whether the conduct lacks a valid business purpose, or unreasonably or unnecessarily impedes the efforts of other firms to compete for raw materials or customers, or if the anticipated benefits of the conduct flow primarily from its tendency to hinder or eliminate competition. Anti-competitive conduct does not include ordinary means of competition, such as offering better products or services, exercising superior skill or business judgment, utilizing more efficient technology, better marketing, or exercising natural competitive advantages such as unique geographic access to raw materials or markets.

To establish that the defendant acted willfully, plaintiff must prove either (1) that defendant engaged in anti-

competitive conduct with the conscious object of furthering the dominance of defendant in the relevant market, or (2) that this was the necessary direct consequence of defendant's conduct or business arrangements.

One of the Plaintiffs' contentions in this case is that the Defendant purchased more logs than it needed, or paid a higher price for logs than necessary, in order to prevent the Plaintiffs from obtaining the logs they needed at a fair price. If you find this to be true, you may regard it as an anti-competitive act if you also find that Defendant had a reasonable expectation that it could subsequently recoup any losses it had sustained through this conduct, either by paying lower log prices in the future or by charging higher prices for Defendant's products due to a reduction in competition from other saw mills.

There has been some testimony in this case regarding contracts that gave [P. 11] Defendant the exclusive right to purchase part or all of the hardwood logs harvested on certain lands during an agreed-upon time period. There has also been testimony regarding certain restrictions the Defendant attached to timber lands it sold, or to timber sales, requiring the buyer to sell back to the Defendant all hardwood logs harvested from those lands. You may find that these contracts or restrictions were anti-competitive conduct if you conclude that they substantially and unreasonably lessened competition in the relevant market. Some of the factors you should consider include the duration of the agreement or restriction, whether competing buyers had adequate alternative sources of supply, the circumstances under which the defendant entered into the exclusive contracts or the other restrictions, and its reasons for doing so.

Plaintiffs have also contended that the Defendant made false statements to the Oregon Department of Forestry in order to obtain an exemption from log export regulations. In deciding whether this was anti-competitive conduct, some of

the factors you should consider include whether the statements were false, the significance of any misstatements, whether Defendant knew the information was erroneous or tried to correct any error it discovered. Defendant's motives, and the extent to which this exemption harmed competition in the relevant market. The effect upon competition is always an important consideration. Bear in mind that this is an anti-trust case. The Defendant is not on trial for making false statements to the government.

The final element of Plaintiffs' claim for monopolization requires a Plaintiff to show, by a preponderance of evidence, that it was injured in its business or property because of Defendant's anti-competitive conduct. I will cover that issue in more detail later in these instructions.

[P. 12] In summary, if you find that a Plaintiff has established all three required elements of its claim for monopolization, then your verdict on this claim is for that Plaintiff. On the other hand, if a Plaintiff has failed to establish one or more of the three required elements, then your verdict on this claim is for the Defendant and against that Plaintiff. Bear in mind that the claims of each Plaintiff must be analyzed separately.

Attempted Monopolization

Plaintiffs' second claim alleges that they were injured by defendant's unlawful attempt to monopolize. To prevail on a claim of attempted monopolization, a plaintiff must prove each of the following elements by a preponderance of the evidence:

First, that defendant engaged in anti-competitive conduct;

Second, that defendant had a specific intent to achieve monopoly power in a relevant market;

Third, that there was a dangerous probability that defendant would achieve its goal of monopoly power in the relevant market; and

Fourth, that the plaintiff was injured in its business or property by the defendant's anti-competitive conduct.

The definitions of anti-competitive conduct, monopoly power, relevant market, and injury, are the same as in the previous claim. The principal difference between the claims is that, on their claim for attempted monopolization, Plaintiffs need not show that the Defendant actually succeeded in achieving monopoly power. It is sufficient for the Plaintiffs to establish the four elements that I have just listed.

The term "specific intent to achieve monopoly power" means acting with [P. 13] the conscious object of acquiring the power to control prices or to exclude or destroy competition in the relevant market. Proof of that intent may be shown by direct evidence, or it can be inferred from indirect evidence such as the Defendant's conduct.

Plaintiffs must also show, by a preponderance of the evidence, that there was a dangerous probability that defendant would achieve its goal of monopoly power in the relevant market if it continued to engage in the same or similar conduct. This is sometimes referred to as a "dangerous probability of success." The plaintiff does not have to prove that Defendant was nearly certain to achieve monopoly power. However, the chance of success must have been substantial and real. Put another way, Plaintiffs must show that the Defendant intended to achieve monopoly power, and there was a reasonable likelihood that Defendant would ultimately achieve that goal.

In evaluating this element, you should consider the market share and power of defendant as compared to its competitors; whether defendant's share of the relevant market was increasing or decreasing; the actual or probable impact on competition of defendant's anti-[P. 14] competitive conduct; and whether barriers to entry made it difficult for competitors to enter the market.

In evaluating the extent of any barriers to entry, you should consider the ability of prospective competitors to obtain necessities such as raw materials, manufacturing facilities, labor, financing, and customers. You should also consider how readily firms that presently produce other products could shift to the production of products that do compete in the relevant product market.

The final element of each of the Plaintiffs' claims requires them to show that the plaintiff was injured in its business or property by the defendant's anti-competitive conduct. The term "business" includes any commercial interest or venture. It is undisputed that both Ross-Simmons and the STEDCO joint venture were businesses. It is not necessary to quantify the precise amount of that loss. If you find that a Plaintiff sustained at least some injury resulting from an antitrust violation committed by the Defendant, then you should consider this element of that Plaintiffs' claims to have been proven.

Damages

If you find for a plaintiff on one or both of its claims, you must then decide the amount of damages that plaintiff is entitled to recover from the Defendant. In instructing you about damages, I do not mean to suggest which party your verdict should be for.

The law provides that anyone who is injured by an antitrust violation may recover damages for any injury to its business or property that was a direct result or a likely consequence of the conduct that you have found to be unlawful. The wrongful conduct of the defendant need not have been the exclusive cause of the harm, nor need the plaintiff rule out all other possible causes of injury. However, the defendant's wrongful conduct must have been a material cause of the injury, that is, it must have been a substantial factor in producing the harm. If you find that a plaintiff's injury was caused solely by something other than an antitrust violation,

then that plaintiff is not entitled to recover damages for that injury.

Difficulty in fixing the precise amount of damages does not preclude fairly compensating a plaintiff so long as there is a reasonable basis in the evidence for your award. The law does not requires that damages be calculated with mathematical precision. However, you may not calculate damages based only [P. 15] on speculation or guesswork.

A plaintiff is entitled to recover any profits that you determine it lost as a result of an antitrust violation by the Defendant. The term "profit" means the amount by which a plaintiff's gross revenues would have exceeded all of the costs and expenses necessary to produce those revenues. "Past lost profits" is the difference between the profit (or loss) that the company actually earned during the specified time period versus the profit that company would have earned during the same time period but for the Defendant's violation of the antitrust laws.

One method of estimating past lost profits is by looking at the company's actual net profits before the alleged antitrust violation. If you find that the earlier period is a reliable guide to estimate what that plaintiff's actual net profits would have been in the absence of the antitrust violation, then you may calculate the plaintiff's loss of profits by comparing (a) the plaintiff's actual net profits in the earlier period with (b) the plaintiff's actual net profits (or loss) thereafter. You are permitted to use other methods of computing lost profits, such as calculating the additional costs incurred by the plaintiff as a result of the antitrust violation less any cost savings that resulted, so long as you have a sufficient basis for making that determination.

If you find that a plaintiff was forced out of business by the defendant's violation of the antitrust laws, then that plaintiff also is entitled to recover either its projected future lost profits or the "going-concern value." The going concern

value of a business is what a willing buyer knowing all available information would have paid a willing seller for that business. This may be measured by comparing the fair market value of the business both before and after the [P. 16] antitrust violation harming that business. The most important element of going concern value is the potential earning power of the business and expected future profitability.

You may not award damages for both loss of going concern value and also lost future profits because the going concern value of a business is a method of valuing the future profitability of a business. You should therefore consider the anticipated future profits of a business as a factor in determining the loss of the going concern value of that business.

Your decision must be based on the considered judgment of each of you. Your verdict in this case must be unanimous. In other words, each of you must agree with the final decision.

You must talk with one another with the idea of reaching an agreement, if you can do so based on your own judgment. You must each decide the case for yourself. Do not reach a decision until you have impartially considered the evidence in the case with your fellow jurors. Do not hesitate to reexamine your views or change your mind if you become convinced that you are wrong, but do not change your mind about the effect or credibility of the evidence solely because your fellow jurors disagree with you, or because you want to reach a unanimous decision.

When you go to the jury room, select a presiding juror. The presiding juror shall preside over the deliberations, but has no greater voice than any other juror.

A verdict form has been prepared for your use. This form will be with you in the jury room. When you have reached unanimous agreement as to your verdict, the presiding juror should fill in, date and sign the form to state the [P. 17] ver-

dict upon which you unanimously agree. You will then return your verdict to the courtroom.

In the unlikely event that it becomes necessary during your deliberations to communicate with the court, you may send a note by a bailiff, signed by your presiding juror, or by one or more members of the jury. No member of the jury should attempt to communicate with the court by means other than a signed writing. The court will not communicate with any member of the jury about the merits of the case other than in writing, or orally here in open court.

You will note from the oath about to be taken by the bailiffs that they too, as well as all other persons, are forbidden to communicate in any way or manner with any member of the jury on any subject touching the merits of the case. You may communicate with the bailiff regarding personal needs or in an emergency.

Do not reveal to any person—not even to the court—how the jury stands, numerically or otherwise, on the questions before you, until after you have reached a unanimous verdict.

April 17, 2003 (8:31AM)

[Verdict for the Plaintiff (Apr. 18, 2003)]

* * *

We, the Jury, unanimously find as follows:

QUESTION 1: Have the Plaintiffs established, by a preponderance of the evidence, that there is a relevant market for alder sawlogs in the Pacific Northwest?

Yes__X__ No_____

QUESTION 2: Have the Plaintiffs established, by a preponderance of the evidence, that there is a relevant market for finished alder lumber in the United States?

Yes_____ No__X__

[P. 2] If you answered "yes" to Question 1, or to Question 2, or both, then you should proceed to Question 3-A. If you answered "no" to both Questions 1 and 2, then your verdict is for the Defendant and you should not answer the remaining questions.

QUESTION 3-A: Has Plaintiff Ross-Simmons Hardwood Lumber Company ("Ross Simmons") proven, by a preponderance of the evidence, its claim for monopolization?

Yes__X__ No_____

QUESTION 3-B: If your answer to Question 3-A is yes, what sum of damages, if any, do you award to Ross-Simmons?

$26,256,406 (SCENARIO B)

QUESTION 4-A: Has Plaintiff Ross-Simmons proven, by a preponderance of the evidence, its claim for attempted monopolization?

Yes__X__ No_____

QUESTION 4-B: If your answer to Question 4-A is yes, what sum of damages, if any, do you award to Ross-Simmons?

$26,256,406 (SCENARIO B)

Do not be concerned about duplicating the damages, if any, awarded to Ross-Simmons in 3-B. The court will make any necessary adjustments.

[P. 3] **QUESTION 5-A:** Has Plaintiff STEDCO Joint Venture proven, by a preponderance of the evidence, its claim for monopolization?

Yes_____ No___X_____

QUESTION 5-B: If your answer to Question 5-A is yes, what sum of damages, if any, do you award to the STEDCO Joint Venture?

$_____

QUESTION 6-A: Has Plaintiff STEDCO Joint Venture proven, by a preponderance of the evidence, its claim for attempted monopolization?

Yes_____ No___X_____

QUESTION 6-B: If your answer to Question 6-A is yes, what sum of damages, if any, do you award to the STEDCO Joint Venture?

$_____

Do not be concerned about duplicating the damages, if any, awarded to the Joint Venture in 5-B. The court will make any necessary adjustments.

DATED: April 18, 2003. /s/Don Treece
Presiding Juror
Don Treece

[Court's Instructions to the Jury (Apr. 21, 2003)]

* * *

Members of the jury, you have heard all the evidence in this case and it is now your duty to decide the facts and reach your decision.

I will tell you the law that you must follow in reaching your decision.

Although you may think the law is, or should be, different, you are bound by your oath to apply the law that I give to you.

During the trial, I have occasionally sustained objections to questions or pushed the attorneys to keep this trial moving along. You should not construe anything that I have said or done as expressing an opinion regarding the evidence or which party your verdict should be for.

This case should be considered and decided by you as an action between persons of equal standing in the community, of equal worth, and holding the same or similar stations in life. A corporation is entitled to the same fair trial at your hands as a private individual. The law is no respecter of persons. All persons, including corporations, partnerships, tribes, and other organizations, stand equal before the law, and are to be dealt with as equals in a court of justice.

Your decision must be based solely on the evidence. Do not allow bias, prejudice or sympathy to influence you. The evidence consists of the testimony of the witnesses, the exhibits you will have in the jury room, and any facts to which the parties have agreed. A list of stipulated facts and a glossary are in [P. 2] your juror notebooks. Additional stipulations were read to you during the trial. When the parties stipulate to a fact, you should consider that fact to be true.

The comments of the attorneys are not evidence. If your recollection of the evidence differs from that of the attorneys, rely upon your own memory.

Evidence may be direct or circumstantial. Direct evidence is direct proof of a fact, such as testimony by a witness about what the witness personally saw or heard or did. Circumstantial evidence is proof of one or more facts from which you could find another fact. You should consider both kinds of evidence. The law makes no distinction between the weight to be given to either direct or circumstantial evidence. It is for you to decide how much weight to give to any evidence.

You are the judges of whether the witnesses were telling the truth when they testified. You must presume that each witness told the truth, but you are free to decide otherwise based on the manner in which the witness testified, the motive or bias of the witness, or if there was other different evidence which you believe. If you find that a witness intentionally lied in one part of his or her testimony, you are free to disregard anything else that witness said. You are the judges of how much weight a witness's testimony deserves. In considering testimony you are permitted to form reasonable conclusions by using your good common sense.

You should not decide a fact merely by counting the number of witnesses or exhibits. The testimony of one witness whom you believe is enough to prove any fact in dispute.

You have heard testimony from persons who, because of their education or experience, are permitted to state opinions and the reasons for their opinions. [P. 3] Expert testimony should be judged like any other testimony. You may give it whatever weight you think it deserves, considering the education and experience of the expert witness, the reasons given for the opinion, and all the other evidence in the case. If, in

reaching an opinion, an expert relied on certain facts that you find were not true, you are free to disregard that opinion.

Questions have been asked in which a witness was requested to assume that certain facts were true, and to give an opinion based on those assumed facts. These are called hypothetical questions. If you find that material facts assumed and relied upon by the witnesses in forming an opinion were not established by the evidence or were untrue, you may disregard that opinion.

Some parties to this case are corporations. A corporation is responsible for the acts of its directors, officers, employees, or other agents, when such acts are performed in the course of conducting the corporation's business. You should regard such actions as the acts of the corporation. To the extent a corporation's intentions or motives are at issue in this case, you may impute to a corporation the intentions and motives of its directors, officers, employees, or other agents in conducting the corporation's business. These rules I have just given you regarding corporations apply to joint ventures as well.

In a moment, I will instruct you on the law that governs the particular claims in this case, and I will tell you that the Plaintiffs have the burden of proving their claims by a preponderance of the evidence. The term "preponderance of the evidence" means the greater weight of evidence. It is such evidence that when weighed with that opposed to it, has more convincing force and is more probably true and accurate. If, upon any question in the case, the evidence appears to be equally balanced, or if you cannot say upon which [P. 4] side it weighs more heavily, you must resolve that question against the plaintiff upon whom the burden of proof rests. You should base your decision on all of the evidence, regardless of which party presented it.

Plaintiffs' Claims

I will now instruct you on the law governing the particular claims in this case. The Plaintiffs are the Ross-Simmons Hardwood Lumber Co., and the STEDCO Joint Venture between Ross-Simmons and the Confederated Tribes of Siletz Indians of Oregon. The Defendant is the Weyerhaeuser Company. You should decide the case as to each plaintiff separately.

The Plaintiffs seek damages for injuries they claim to have sustained as a result of Defendant's alleged violations of the antitrust laws of the United States. Plaintiffs contend that the Defendant unlawfully monopolized or attempted to monopolize the alleged relevant markets for alder sawlogs and finished alder lumber, in violation of Section 2 of the Sherman Antitrust Act, and that the Plaintiffs were damaged thereby. Defendant denies those allegations.

The purpose of the Sherman Act is to preserve and advance our system of free enterprise by encouraging, to the fullest extent practicable, free and open competition in the marketplace, and by preventing unreasonable restraint or monopolization of any business or industry. The Sherman Act protects competition, not particular competitors. The mere fact that a particular company is unable to compete in the market place, or goes out of business, does not establish a violation of the antitrust laws. Only conduct that unfairly tends to destroy competition itself violates the Sherman Antitrust Act. In other words, the Plaintiffs must prove that Defendant's acts injured not only the plaintiff itself, but also injured competition in the relevant market.

[P. 5] The antitrust laws apply to more than just retail sales of finished goods to end users such as a family. The antitrust laws also protect businesses that purchase goods for their own use, or that buy or sell raw materials to be transformed into other products. In other words, the antitrust laws apply to "inputs" as well as "outputs."

Monopolization and attempted monopolization are two distinct claims, with somewhat different elements. You should analyze those claims separately.

Monopolization Claim

To prevail on its claim for unlawful monopolization, a Plaintiff must prove each of the following elements by a preponderance of the evidence:

First, that the Defendant had monopoly power in a relevant market;

Second, that the Defendant willfully acquired or maintained that power through anti-competitive conduct; and

Third, that the Plaintiff was injured in its business or property because of Defendant's anti-competitive conduct.

A Plaintiff must prove, by a preponderance of the evidence, all three of those elements in order to prevail on its monopolization claim. If you find that a Plaintiff did not prove one or more of those three elements, then your verdict on that claim would be for the Defendant and against that Plaintiff.

Before you can decide whether the Defendant has monopoly power, you must first define the scope of the "relevant market." There are two aspects to this: (1) the "product market" and (2) the "geographic market."

The "relevant product market" includes the specific products at issue, along with any other products that, though not necessarily identical, are reasonable substitutes from a buyer's point of view. In other words, the relevant [P. 6] product market includes those products that compete meaningfully with each other. Plaintiffs contend there are two relevant product markets in this case; the alder sawlog market and the finished alder lumber market. Defendant contends that the only relevant product market is the finished hardwood lumber market.

There are a number of factors you may consider in determining whether products are reasonable substitutes for each other. The basic test is whether changes in the price of one product cause a considerable number of customers to switch from one product to another. If so, the products are in the same market. You also may consider how people in the industry and the public at large view the products; whether the products have the same or similar characteristics or uses; whether the products have similar prices; whether changes in the price of one product are followed by changes in the price of the other product; whether the products are sold to similar customers; and whether they are distributed and sold by the same kinds of distributors or dealers.

You have heard references to the term "submarket." A submarket is just another way of defining the relevant market. For purposes of this case, the terms "market" and "submarket" are synonymous.

The second factor you must consider, in determining the relevant market, is the "relevant geographic market." This is the area in which the Defendant faces competition from suppliers that (1) are in the relevant product market, and (2) to which a buyer can practicably turn for supplies. This relevant geographic market can be as large as the entire world or the United States or as small as a single community. Plaintiffs contend the relevant geographic market for alder sawlogs is the Pacific Northwest, and the relevant geographic market for finished alder lumber is the United States. Defendant contends that the relevant [P. 7] geographic market is the finished hardwood market for at least the entire United States, and that alder sawlogs are not a relevant market.

To determine the proper geographic market, you may consider whether changes in prices at one location have fairly direct substantial effects on prices or sales at other locations, and if people in the industry and the public at large view sellers in the different locations as being in competition with

each other. Such evidence would tend to prove that these different locations are in the same relevant geographic market.

You also may consider how readily sellers can and do shift from selling in one location to selling in another. Evidence that sellers shift readily among different locations in response to price changes would tend to indicate that the different locations are in the same geographic market.

In addition, you may consider where purchasers, as a practical matter, can and do buy the product; that is, whether buyers residing in one area buy from the same sources as buyers residing in another area or if they buy from local sources rather than more distant sources because they find it more convenient or practical to do so. In this regard, you may consider whether an increase in prices charged by suppliers in one location would cause a substantial number of purchasers to turn to more remote sources of supply. If so, the two locations are part of the same geographic market.

Once you have defined the relevant market or markets, you must then determine whether defendant has monopoly power in that market. "Monopoly power" in sales of finished products is the power to control selling prices in, or to exclude competition from, the relevant market.

[P. 8] A "monopsony" is a monopoly on the buyer side of the transaction. A "monopsonist" has the power to control the purchase price of an item that is necessary in the production of a product, or to exclude competition. When I refer in these instructions to a monopoly or to monopoly power, that term also includes a monopsony unless the context indicates otherwise.

The "power to control prices" is the power of a company to establish appreciably higher prices for goods sold than those charged by competitors for equivalent goods without a substantial loss of business to competitors. Thus, if a com-

pany that has raised prices on goods sold eventually has to lower its prices to the level of prices charged by its competitors, it may not have monopoly power in the sense of power to control prices. A similar rule applies to a monopsonist, except the power to control prices is the power to reduce the price the monopsonist must pay for the raw materials or goods that it purchases.

The "power to exclude competition" means the power of a company to dominate a market by eliminating existing competition from that market or by preventing new competition from entering the market.

To establish the possession of monopoly power, the Plaintiffs need not prove that prices were raised or that competition actually was excluded, but only that the Defendant had the power to raise prices or exclude competition. A company may face some competition in the relevant market and still have monopoly power. Likewise, a monopsonist need only have the power to affect prices or exclude competition, regardless of whether that power has actually been exercised yet.

You may infer that Defendant has monopoly power in a market if you find that (1) defendant controls a dominant share of that market and (2) there are [P. 9] significant barriers to entry to that market and existing competitors lack the capacity to increase their output significantly in the short run.

"Market share" is a firm's share of total industry sales expressed as a percentage. If you determine that the Defendant's share of the relevant market is less than 50 percent, that market share by itself does not permit you to infer that the Defendant has monopoly power. If you determine that Defendant's share of the relevant market is 80 percent or higher, that is strong evidence of the existence of monopoly power. If you determine that Defendant's market share is somewhere between 50 percent and 80 percent, you may infer the existence of monopoly power from that share, and the

inference is stronger the higher Defendant's market share is within that range.

You also may consider the trend in Defendant's market share. A declining market share may indicate the absence of monopoly power, though it does not foreclose such a finding, while an increasing market share may indicate the opposite.

Another factor that you may consider is the number and size of the Defendant's competitors. If these are few, weak, or have small or decreasing market shares, so that they do not offer substantial competition to Defendant in the relevant market, this may tend to indicate that Defendant has monopoly power. If, on the other hand, they are numerous, vigorous, or have large or increasing shares in that market, this may be evidence that Defendant does not have monopoly power.

If you find that Defendant has monopoly power in one or more relevant markets, as alleged by the Plaintiffs, you should then determine whether Defendant willfully acquired or maintained that monopoly power through anti-[P. 10] competitive conduct.

Anti-competitive conduct is conduct that has the effect of wrongly preventing or excluding competition, or frustrating or impairing the efforts of other firms to compete for customers within the relevant market, making it very difficult or impossible for competitors to engage in fair competition. Not everything that enables a company to gain or maintain a monopoly is anti-competitive.

In deciding whether conduct is anti-competitive, you should consider whether the conduct lacks a valid business purpose, or unreasonably or unnecessarily impedes the efforts of other firms to compete for raw materials or customers, or if the anticipated benefits of the conduct flow primarily from its tendency to hinder or eliminate competition. Anti-competitive conduct does not include ordinary

means of competition, such as offering better products or services, exercising superior skill or business judgment, utilizing more efficient technology, better marketing, or exercising natural competitive advantages such as unique geographic access to raw materials or markets.

To establish that the defendant acted willfully, plaintiff must prove either (1) that defendant engaged in anti-competitive conduct with the conscious object of furthering the dominance of defendant in the relevant market, or (2) that this was the necessary direct consequence of defendant's conduct or business arrangements.

One of Plaintiffs' contentions in this case is that the Defendant purchased more logs than it needed, or paid a higher price for logs than necessary, in order to prevent the Plaintiffs from obtaining the logs they needed at a fair price. If you find this to be true, you may regard it as an anti-competitive act.

[P. 11] There has been some testimony in this case that the Defendant has some restrictive rights to purchase part or all of the hardwood logs harvested on certain lands during an agreed-upon time period. There has also been testimony regarding certain restrictions the Defendant attached to timber lands it sold, or to timber sales, requiring the buyer to sell back to the Defendant all hardwood logs harvested from those lands. You may find that these restrictions were anti-competitive conduct if you conclude that they substantially and unreasonably lessened competition in the relevant market. Some of the factors you should consider include the duration of the agreement or restriction, whether competing buyers had adequate alternative sources of supply, the circumstances under which the defendant entered into the contracts or the other restrictions, its reasons for doing so, and the relative bargaining strength of the parties to the arrangement.

Plaintiffs have also contended that the Defendant made false statements to the Oregon Department of Forestry in order to obtain an exemption from log export regulations. In deciding whether this was anti-competitive conduct, some of the factors you should consider include whether the statements were false, the significance of any misstatements, whether Defendant knew the information was erroneous or tried to correct any error it discovered, Defendant's motives, and the extent to which this exemption harmed competition in the relevant market. The effect upon competition is always an important consideration. Bear in mind that this is an anti-trust case. The Defendant is not on trial for making false statements to the government.

The final element of Plaintiffs' claim for monopolization requires a Plaintiff to show, by a preponderance of evidence, that it was injured in its business or [P. 12] property because of Defendant's anti-competitive conduct. I will cover that issue in more detail later in these instructions.

In summary, if you find that a Plaintiff has established all three required elements of its claim for monopolization, then your verdict on this claim is for that Plaintiff. On the other hand, if a Plaintiff has failed to establish one or more of the three required elements, then your verdict on this claim is for the Defendant and against that Plaintiff. Bear in mind that the claims of each Plaintiff must be analyzed separately.

Attempted Monopolization

Plaintiffs' second claim alleges that they were injured by defendant's unlawful attempt to monopolize. To prevail on a claim of attempted monopolization, a plaintiff must prove each of the following elements by a preponderance of the evidence:

First, that defendant engaged in anti-competitive conduct;

Second, that defendant had a specific intent to achieve monopoly power in a relevant market;

Third, that there was a dangerous probability that defendant would achieve its goal of monopoly power in the relevant market; and

Fourth, that the plaintiff was injured in its business or property by the defendant's anti-competitive conduct.

The definitions of anti-competitive conduct, monopoly power, relevant market, and injury, are the same as in the previous claim. The principal difference between the claims is that, on their claim for attempted monopolization, Plaintiffs need not show that the Defendant actually succeeded in achieving monopoly power. It is sufficient for the Plaintiffs to establish the four [P. 13] elements that I have just listed.

The term "specific intent to achieve monopoly power" means acting with the conscious object of acquiring the power to control prices or to exclude or destroy competition in the relevant market. Proof of that intent may be shown by direct evidence, or it can be inferred from indirect evidence such as the Defendant's conduct.

Plaintiffs must also show, by a preponderance of the evidence, that there was a dangerous probability that defendant would achieve its goal of monopoly power in the relevant market if it continued to engage in the same or similar conduct. This is sometimes referred to as a "dangerous probability of success." The plaintiff does not have to prove that Defendant was nearly certain to achieve monopoly power. However, the chance of success must have been substantial and real. Put another way, Plaintiffs must show that the Defendant intended to achieve monopoly power, and there was a reasonable likelihood that Defendant would ultimately achieve that goal.

In evaluating this element, you should consider the market share and power of defendant as compared to its competitors; whether defendant's share of the relevant market was increasing or decreasing; the actual or probable impact on

competition of defendant's anti-competitive conduct; and whether barriers to entry made it difficult for competitors to enter the market.

In evaluating the extent of any barriers to entry, you should consider the ability of prospective competitors to obtain necessities such as raw materials, manufacturing facilities, labor, financing, and customers. You should also consider how readily firms that presently produce other products could shift to the production of products that do compete in the relevant product market.

[P. 14] The final element of each of the Plaintiffs' claims requires them to show that the plaintiff was injured in its business or property by the defendant's anticompetitive conduct. The term "business" includes any commercial interest or venture. It is undisputed that both Ross-Simmons and the STEDCO joint venture were businesses. It is not necessary to quantify the precise amount of that loss. If you find that a Plaintiff sustained at least some injury resulting from an antitrust violation committed by the Defendant, then you should consider this element of that Plaintiffs' claims to have been proven.

Damages

If you find for a plaintiff on one or both of its claims, you must then decide the amount of damages that plaintiff is entitled to recover from the Defendant, if any. In instructing you about damages, I do not mean to suggest which party your verdict should be for.

The law provides that anyone who is injured by an antitrust violation may recover damages for any injury to its business or property that was a direct result or a likely consequence of the conduct that you have found to be unlawful. The wrongful conduct of the defendant need not have been the exclusive cause of the harm, nor need the plaintiff rule out all other possible causes of injury. However, the defen-

dant's wrongful conduct must have been a material cause of the injury, that is, it must have been a substantial factor in producing the harm. If you find that a plaintiff's injury was caused solely by something other than an antitrust violation, then that plaintiff is not entitled to recover damages for that injury.

Difficulty in fixing the precise amount of damages does not preclude fairly compensating a plaintiff so long as there is a reasonable basis in the evidence [P. 15] for your award. The law does not requires that damages be calculated with mathematical certainty. However, you may not calculate damages based only on speculation or guesswork.

A plaintiff is entitled to recover any profits that you determine it lost as a result of an antitrust violation by the Defendant. The term "profit" means the amount by which a plaintiff's gross revenues would have exceeded all of the costs and expenses necessary to produce those revenues. "Past lost profits" is the difference between the profit (or loss) that the company actually earned during the specified time period versus the profit that company would have earned during the same time period but for the Defendant's violation of the antitrust laws.

One method of estimating past lost profits is by looking at the company's actual net profits before the alleged antitrust violation. If you find that the earlier period is a reliable guide to estimate what that plaintiff's actual net profits would have been in the absence of the antitrust violation, then you may calculate the plaintiff's loss of profits by comparing (a) the plaintiff's actual net profits in the earlier period with (b) the plaintiff's actual net profits (or loss) thereafter. You are permitted to use other methods of computing lost profits, such as calculating the additional costs incurred by the plaintiff as a result of the antitrust violation less any cost savings that resulted, so long as you have a sufficient basis for making that determination.

If you find that a plaintiff was forced out of business by the defendant's violation of the antitrust laws, then that plaintiff also is entitled to recover either its projected future lost profits or the "going-concern value." The going concern value of a business is what a willing buyer knowing all available information [P. 16] would have paid a willing seller for that business. This may be measured by comparing the fair market value of the business both before and after the antitrust violation harming that business. The most important element of going concern value is the potential earning power of the business and expected future profitability.

You may not award damages for both loss of going concern value and also lost future profits because the going concern value of a business is a method of valuing the future profitability of a business. You should therefore consider the anticipated future profits of a business as a factor in determining the loss of the going concern value of that business.

Your decision must be based on the considered judgment of each of you. Your verdict in this case must be unanimous. In other words, each of you must agree with the final decision.

You must talk with one another with the idea of reaching an agreement, if you can do so based on your own judgment. You must each decide the case for yourself. Do not reach a decision until you have impartially considered the evidence in the case with your fellow jurors. Do not hesitate to reexamine your views or change your mind if you become convinced that you are wrong, but do not change your mind about the effect or credibility of the evidence solely because your fellow jurors disagree with you, or because you want to reach a unanimous decision.

When you go to the jury room, select a presiding juror. The presiding juror shall preside over the deliberations, but has no greater voice than any other juror.

[P. 17] A verdict form has been prepared for your use. This form will be with you in the jury room. When you have reached unanimous agreement as to your verdict, the presiding juror should fill in, date and sign the form to state the verdict upon which you unanimously agree. You will then return your verdict to the courtroom.

In the unlikely event that it becomes necessary during your deliberations to communicate with the court, you may send a note by a bailiff, signed by your presiding juror, or by one or more members of the jury. No member of the jury should attempt to communicate with the court by means other than a signed writing. The court will not communicate with any member of the jury about the merits of the case other than in writing, or orally here in open court.

You will note from the oath about to be taken by the bailiffs that they too, as well as all other persons, are forbidden to communicate in any way or manner with any member of the jury on any subject touching the merits of the case. You may communicate with the bailiff regarding personal needs or in an emergency.

Do not reveal to any person — not even to the court — how the jury stands, numerically or otherwise, on the questions before you, until after you have reached a unanimous verdict.

April 17, 2003 (11:25PM)

[Court's Final Draft of the Verdict (Apr. 21, 2003)]

* * *

We, the Jury, unanimously find as follows:

QUESTION 1: Have the Plaintiffs established, by a preponderance of the evidence, that there is a relevant market for alder sawlogs in the Pacific Northwest?

Yes_____ No_____

QUESTION 2: Have the Plaintiffs established, by a preponderance of the evidence, that there is a relevant market for finished alder lumber in the United States?

Yes_____ No_____

[P. 2] If you answered "yes" to Question 1, or to Question 2, or both, then you should proceed to Question 3-A. If you answered "no" to both Questions 1 and 2, then your verdict is for the Defendant and you should not answer the remaining questions.

QUESTION 3-A: Has Plaintiff Ross-Simmons Hardwood Lumber Company ("Ross Simmons") proven, by a preponderance of the evidence, its claim for monopolization?

Yes_____ No_____

QUESTION 3-B: If your answer to Question 3-A is yes, what sum of damages, if any, do you award to Ross-Simmons?

$_____

QUESTION 4-A: Has Plaintiff Ross-Simmons proven, by a preponderance of the evidence, its claim for attempted monopolization?

Yes_____ No_____

QUESTION 4-B: If your answer to Question 4-A is yes, what sum of damages, if any, do you award to Ross-Simmons?

$_____

Do not be concerned about duplicating the damages, if any, awarded to Ross-Simmons in 3-B. The court will make any necessary adjustments.

[P. 3] **QUESTION 5-A:** Has Plaintiff STEDCO Joint Venture proven, by a preponderance of the evidence, its claim for monopolization?

Yes_____ No_____

QUESTION 5-B: If your answer to Question 5-A is yes, what sum of damages, if any, do you award to the STEDCO Joint Venture?

$_____

QUESTION 6-A: Has Plaintiff STEDCO Joint Venture proven, by a preponderance of the evidence, its claim for attempted monopolization?

Yes_____ No_____

QUESTION 6-B: If your answer to Question 6-A is yes, what sum of damages, if any, do you award to the STEDCO Joint Venture?

$_____

Do not be concerned about duplicating the damages, if any, awarded to the Joint Venture in 5-B. The court will make any necessary adjustments.

DATED: April _____, 2003. _____

Presiding Juror

[Defendant's Memorandum in Support of Renewed Motion for Judgment as a Matter of Law and Alternative Motion for New Trial (May 2, 2003)]

* * *

[P. 1] INTRODUCTION

At the close of all of the evidence, Weyerhaeuser Company ("Weyerhaeuser") moved for judgment as a matter of law on several alternative grounds. Among other things, Weyerhaeuser argued that the damage theories presented by plaintiff Ross-Simmons Hardwood Lumber Co. ("Ross-Simmons") were legally defective and insufficient as a matter of law under well-settled and binding antitrust precedent because they required improper speculation by the jury.

First, Ross-Simmons calculated its lost profits and lost going concern value by looking at *defendant's* profit margins. That is highly unusual, and, as discussed below, prior attempts to calculate antitrust damages in this manner have been rejected by the appellate courts.

Second, and even more significant, Ross-Simmons compared defendant's positive profit margins in several "before" and "after" periods without taking into account the fact that market conditions changed between the "before" period and the "after" period. The unrefuted evidence showed that the Asian economic crisis, which began in late 1997, significantly affected both the price and quantity demanded for hardwood lumber, including alder lumber. In addition, the unrefuted evidence, including evidence offered by plaintiffs, showed that the harvest of hardwood logs in the Pacific Northwest *declined* during several years in the plaintiffs' "after" period.

Thus, changed market conditions affected both the demand for lumber and the supply of logs. Ross-Simmons' damage theories, however, ignored these changed conditions. Because plaintiffs failed to account for these changed condi-

tions, any damage award based on such a comparison of dissimilar "before" and "after" periods was inherently speculative as a matter of law under long-established and binding precedent. As such, judgment as a matter of law should have been granted in favor of Weyerhaeuser. No judgment may be permitted to rest upon such speculative and legally deficient evidence. Weyerhaeuser hereby renews its motion for judgment as a matter of law, both on that basis and for all of the other reasons previously argued.

[P. 2] In addition, Weyerhaeuser alternatively moves for a new trial based on numerous reversible errors made by the Court in both its pretrial and its trial rulings. These errors include, but are not limited to, errors in denying defendant's motions in limine, overruling defendant's objections to plaintiffs' improper evidence (including testimony containing hearsay and speculation), overruling defendant's objections to incorrect legal principles being given to the jury by plaintiff's counsel, sustaining plaintiffs' objection to defendant's attempt to expose the bias of one of plaintiffs' key fact witnesses, denying defendant's request for needed curative instructions, and denying defendant's objections to incorrect and incomplete jury instructions.

BACKGROUND

Plaintiffs Confederated Tribes of Siletz Indians of Oregon ("Siletz") and Ross-Simmons sued Weyerhaeuser, acting through its business Northwest Hardwoods. Plaintiffs asserted claims of monopolization and attempted monopolization in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2. Plaintiffs manufactured and sold hardwood lumber, including alder lumber, at mills located in Oregon and Washington. Plaintiffs' mills competed with defendant's mills as well as with mills owned by third parties. In Oregon, Washington, and British Columbia, defendant operated seven hardwood mills. Defendant also operated other hardwood mills elsewhere.

Plaintiffs alleged two "relevant markets" for antitrust purposes: a relevant market for the input of alder logs; and a relevant market for the output of alder lumber. Both before and during trial, defendant asserted that the only relevant product market in this case, which was brought by manufacturers of hardwood lumber against a competing manufacturer, was the market for hardwood lumber. Defendant's share of that market is less than four percent. Before trial, as part of its motion for summary judgment, defendant argued that it is inappropriate to send to the jury a relevant market for "inputs" in a lawsuit brought by competitors in an "output" market.

After a nine-day trial, the jury found that alder logs (*i.e.* "inputs") were a "relevant market," that alder lumber was not a "relevant market," that plaintiff Ross-Simmons had proven its claims of monopolization and attempted monopolization, and that plaintiff Siletz had not [P. 3] proven its claims. The jury also awarded damages to plaintiff Ross-Simmons in the amount $26,256,406, which the Court then trebled to $78,769,218, pursuant to 15 U.S.C. § 15.[1]

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[1] Plaintiffs' case rests on a theory of liability alleging that defendant raised its own log costs in order to raise its rivals' costs, even though defendant continued to make a profit. Plaintiffs' liability theory is not supported by antitrust precedent. It also makes no economic sense. The principal wrongful activity claimed in this case is that defendant intentionally paid logs suppliers *too much* for their logs. Even if this were true, which defendant denies, this conduct presents no harm either to consumers of hardwood lumber or to suppliers of logs. Because Weyerhaeuser did not operate at a loss, plaintiffs and others should have been able to do the same. The fact that plaintiffs did not operate at a profit only highlights that they were inefficient competitors. Other competitors stayed in business and, in fact, expanded, suggesting that what caused plaintiffs to fail were their own inefficiencies and not actions taken by Weyerhaeuser.

Assuming *arguendo* that the Court continues to accept plaintiffs' underlying liability theories as legally and economically plausible, the verdict for plaintiff Ross-Simmons should still be rejected, and judgment should be entered for Weyerhaeuser. As pointed out in Weyerhaeuser's motion for judgment as a matter of law regarding damages, plaintiff Ross-Simmons failed to offer evidence upon which a jury could make a reasonable conclusion regarding either the fact or the amount of damage to plaintiff Ross-Simmons resulting from Weyerhaeuser's allegedly illegal conduct. The damage calculation expressly accepted by the jury rests on a highly unusual and legally-flawed theory. As such, it is legally insufficient to serve as the basis for a conclusion that plaintiffs suffered any injury as a result of the conduct alleged.

[P. 4] Ross-Simmons's damage theory did not attempt directly to measure Ross-Simmons's own lost profits. Nor did it attempt to estimate "ill-gotten gains" by defendant. Instead, Ross-Simmons estimated the always positive profit

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The antitrust laws do not punish companies for *improving* overall efficiency in the marketplace. *See generally Brooke Group, Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 223 (1993) ("we have rejected elsewhere the notion that above-cost prices that are below general market levels or the costs of a firm's competitors inflict injury to competition cognizable under the antitrust laws. As a general rule, the exclusionary effect of prices above a relevant measure of cost either reflects the lower cost structure of the alleged predator, and so represents competition on the merits, or is beyond the practical ability of a judicial tribunal to control without courting intolerable risks of chilling legitimate price-cutting."). In addition, there was no evidence, or even any allegation, that Weyerhaeuser used its alleged "monopsony" power over alder logs to drive down the price of that input to the detriment of any log suppliers. Similarly, based on the jury's finding that alder lumber was not a relevant market (or submarket), Weyerhaeuser could not have driven up the price of alder lumber.

margins of defendant, Northwest Hardwoods, and observed that they were lower, but still positive, during the "after" (or "damage") period than they were during the "before" (or "base") period. Ross-Simmons then simply assumed (despite unrefuted evidence to the contrary) that all of Northwest Hardwoods's reduced, but still positive, profit margins must have been caused by defendant's own anti competitive conduct. Plaintiffs further assumed that all of that reduction could have been captured by plaintiffs in their own net profits.[2] Thus, under controlling antitrust precedent relating to both the fact and amount of damages, such a theory, lacking any foundation in admissible evidence, is speculative as a matter of law and legally insufficient to support a verdict for antitrust damages.

In the actual damage scenario expressly adopted by the jury (indeed, in each of Ross-Simmons's multiple, alternative damage scenarios), Ross-Simmons's damage expert did not consider the possibility of any connection between Northwest Hardwoods's lower, but still positive, profit margins in the years 1997-2000 and the other unrefuted factors in the marketplace that could easily account for the decline in profit margins. These unrefuted factors include the decreased hardwood lumber prices and hardwood lumber sales volume resulting from changed market conditions relating to, among other things, the demand for alder lumber beginning in late 1997. These factors also include the unrefuted decrease in the harvest of alder logs that occurred in 1996, 1998, and

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[2] Plaintiffs, however, made no effort to show that their mills (which were demonstrably less efficient than Weyerhaeuser's) would have been able to capture any, let alone all, of the benefits associated with the hypothesized lower log costs. Nor was there any attempt to track how Ross-Simmons's profits in preceding years had compared with Weyerhaeuser's profits for those same years. Thus, there was no interdependence shown between the two figures to account for any correlation.

2001, based on plaintiffs' own evidence. Because of plaintiffs' legally deficient damage theory (as well as the arguments presented in defendant's motions for summary judgment, [P. 5] motions in limine, evidentiary and jury instruction objections, and motions for judgment as a matter of law, all of which are renewed and incorporated herein by reference), Ross-Simmons's verdict cannot be allowed to stand. Judgment as a matter of law should be entered in favor of defendant. Alternatively, defendant's motion for new trial should be granted.

DISCUSSION

I. Because the Ross-Simmons Damage Model Accepted by the Jury Failed to Account for Other Causal Factors, Including Changed Market Conditions, the Jury's Verdict Is Speculative as a Matter of Law and Not Supported by the Evidence.

A. Settled antitrust law prohibits the jury from rendering a verdict based on speculation or guesswork.

To establish a claim in a civil antitrust action, a plaintiff must prove that the defendant's unlawful conduct in fact injured the plaintiff. To recover damages, the amount of the plaintiff's damage must also be proven. *Story Parchment Co. v. Paterson Parchment Paper Co.*, 282 U.S. 555, 562-63 (1931). To prove the fact of injury, the plaintiff must show with "reasonable certainty" that the defendant's anticompetitive acts were a material cause of some of the plaintiff's injury. *Id.* at 562-63; *Dolphin Tours, Inc. v. Pacifico Creative Serv.*, 773 F.2d 1506, 1510 (9th Cir. 1985). To prove the amount of damage, the plaintiff must present evidence showing "the extent of the damages as a matter of just and reasonable inference." *Story Parchment*, 282 U.S. at 563. Although a more lenient standard applies to proving the amount of damage, *id.* at 562-63, the damage award may not

be "based on speculation or guesswork." *Bigelow v. RKO Radio Pictures, Inc.*, 327 U.S. 251, 264 (1946).

Regarding the amount of damages, the plaintiff must introduce "something better" than "an interested guess." *Flintkote Co. v. Lysfjord*, 246 F.2d 368, 393-94 (9th Cir. 1957). "[I]t is proper to indulge private antitrust plaintiffs only to the extent that there is evidence on the record from which a trier of fact could make a 'just and reasonable inference' regarding the amount of damages." *Home Placement Serv., Inc. v. Providence Journal Co.*, 819 F.2d 1199, 1205 (1st

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[P. 34] **CONCLUSION**

For the foregoing reasons, Weyerhaeuser respectfully requests that the Court grant its renewed motion for judgment as a matter of law and/or its alternative motion for new trial.

DATED this 2nd day of May, 2003.

Respectfully submitted,

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[Vol. 10 (May 29, 2003)]
[Argument on Post-Trial Motions]

* * *

[Tr. 3] (Thursday, May 29, 2003, 2:00 p.m.)

PROCEEDINGS

(Open court:)

THE COURT: Be seated. Good afternoon.

MR. SIMON: Good afternoon, Your Honor.

THE COURT: All right. We have a number of motions here. I want to take the exhibits first. I, of course, have the letters from the media indicating an interest, which I am sure they had. They have not filed a motion to intervene, which is probably appropriate.

And you have been handed now an exhibit or a listing of exhibits with columns on it indicating what we believe the record to show with regards to what went to the jury, what was used at the trial, what no one objected to as being made public, that is, those not sealed to begin with.

So what I want you to do, I want both counsel to do, is look over that list. It's going to be my determination in connection with these exhibits that it is under the Ninth Circuit law the defendant's burden of proof in this case. And that applies even though there were stipulated agreements to seal certain things.

And I think I still have to make a new analysis of it and it's the defendant's burden to show that it should be sealed.

The Ninth Circuit has pretty clearly held that

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[Tr. 7] on the purpose of the stockholder request.

THE COURT: Well, you can give me a brief on that aspect also.

MR. SIMON: Very well.

THE COURT: As well as the others.

MR. SIMON: Thank you, Your Honor.

THE COURT: And the plaintiff can respond in five days.

All right. Let's go to the other motions. First, the defendant's renewed motion for a judgment as a matter of law, or alternatively, for a new trial. I have the benefit of excellent briefs. I had a good bit of briefing beforehand. I will hear your arguments briefly. I don't want you to repeat what's in your existing briefs, because I have read and studied that, but if you have any last minute pearls of wisdom you want to give me, I will hear it, Mr. Simon.

MR. SIMON: I do, Your Honor, and I appreciate that opportunity. I won't be repeating what's in the brief, but I will start out by observing that the relationship between damages and liability, what did Weyerhaeuser do wrong, is also an intertwined relationship.

And along the question of what did Weyerhaeuser do wrong, I come back to the question of the primary evidence is that they claimed that we have somehow caused prices to [Tr. 8] go too high for the input of alder logs. And although–

THE COURT: Didn't they also claim that you put them out of business?

MR. SIMON: But that's how, in that respect. By causing the log prices to go high, the plaintiffs' claim is that they could not buy logs at that price or those prices in a sufficiently profitable manner for them to remain in business. That is, I believe, the gravamen of the plaintiffs' claim.

THE COURT: I may be wrong, but I think it goes a little further. I think it goes to the availability at any price of alder logs.

MR. SIMON: And there I'd respectfully disagree, Your Honor, because the record does not have any evidence at all of any difficulty in obtaining an adequate number of logs, an adequate supply of logs, only the price. And that's our position on that, Your Honor.

THE COURT: I understand your position.

MR. SIMON: And with respect then to this question of prices, I already put in our briefing, and I won't repeat that, but I will then move on to another point, we already put in our motion for judgment as a matter of law that we filed in writing with the Court the argument that the case law does not accept the theory of predator predation based on this theory that a competitor can cause another [Tr. 9] competitor to go out of business by raising the cost of an input.

We've articulated that primarily in the context of raising rivals' costs, but I'd now like to add one more, you know, nuance on it to make sure this point is squarely before this Court. Because a related issue to that, Your Honor, is the concept of antitrust injury, and that is that a plaintiff is not entitled to recover for the damages or activities of a defendant that do not call – do not constitute what the law recognizes as antitrust injury.

And there is a case exactly on point here, Your Honor, after the Reid Brothers' decision, and I apologize for not briefing it to the Court. Frankly, I only located it and learned about it yesterday, but since it does relate to the issues we've already argued about, argued before the Court, I wanted to make sure the Court had the benefit of this case.

Because the case of the United States Supreme Court decision from 1986, it's after Reid Brothers, the decision is *Cargill v. Monfort of Colorado,* 479 U.S. 104,107 Supreme Court at 484. And very briefly, Your Honor, what that case involved was it was a challenge under the antitrust laws to a proposed merger. Essentially, in the meat packing industry,

the number five competitor in the [Tr. 10] meat packing industry was challenging a proposed merger between the number two and the number three competitors. The argument made by number five is if the number two and number three competitors are allowed to merge, they will obtain such synergies, efficiencies, and, if you will, deep pockets, that they will be able to bid up the price of cattle, the input for meat packing and meat processing, you know, so that they will be able to afford and still make a profit on the price of buying cattle and turning it into processed beef, but that we, the number five company, won't be able to maintain a profit at such a high price and we'd have to go out of business. That was the argument of the number five company.

Ultimately, the U.S. Supreme Court confronted that specific argument and said, that is not antitrust injury, because, in essence, what you are complaining about is that the defendant, the number two and number three companies that wanted to merge, would become more efficient, would be able to afford to pay higher prices for the input, in that case, cattle, maybe because you're not as efficient or not as big you can't afford that, and that produces some type of competitive injury to you. But that is not the type of injury that the antitrust laws were designed to remedy, and as the Supreme Court has said in that case, the antitrust laws were [Tr. 11] designed to foster price competition and promote price competition, and that includes not only competition for the output side, for the sale of the product, in that case, beef, but also price competition for the input, in that case, cattle, in our case, logs.

And so we make the argument, it's related to the arguments we've previously made, but it goes further and adds further support to that, in that there is no antitrust injury here because the types of argument when they complain that we caused the prices to go up of the logs, the inputs, that made it more difficult for them to be able to afford the logs, has been squarely rejected against the – as not recognizable, not cog-

nizable under the antitrust laws. We discussed that previously. I believe their response to the case was Reid Brothers. I've tried previously to distinguish Reid Brothers. I believe my distinction was rejected by the Court in its summary judgment decision, but I call this Cargill case to the attention of the Court because it's a decision of the U.S. Supreme Court after Reid Brothers.

The second point I'd like –

THE COURT: What is the date of the Cargill decision?

MR. SIMON: 1986.

THE COURT: Yes, I recall the case now that you [Tr. 12] remind me of it. Thank you very much.

MR. SIMON: The second point I'd like to call to the Court is that one of the allegations that the plaintiffs have made in this case is that we made false statements, the defendants made false statements to governmental entities, either the State of Oregon or the State of Washington, in order to procure certain log exemptions, official state action from Washington and from Oregon.

And those statements about our projected needs and our projected use of logs were false statements. We objected to that evidence. If the Court will recall, that came in at a very late filed amended. It was after summary judgment had been well briefed and decided. It was practically on the eve of trial. We objected to that as a new claim coming in. The Court overruled our objections.

It came in shortly before trial, and one of our objections at trial was that there's no evidence of intentional false statements. That's in the record, that's part of our renewed motions, I won't repeat that.

But I'd like to add another, if you will, aspect to that that has not be discussed before. For that, I do apologize, but I do want to make sure it's squarely before the Court. And that is

that the antitrust laws have a doctrine generated from the First Amendment, the freedom of speech, freedom of petition of government clause in the

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[Tr. 15] glad to answer any questions about that.

THE COURT: Thank you. Mr. Haglund.

MR. HAGLUND: Yes, Your Honor. As to the first point that counsel makes regarding the Cargill case, I'm somewhat familiar with that case, not thoroughly familiar, because I didn't review it not knowing it was going to come up today, but that's a case that stands for the proposition that a competitor is not – does not have standing or antitrust – cognizable antitrust injury to challenge a potential merger on the grounds that Mr. Simon articulated; that they may do some things, they may have some certain efficiencies that will enable them to monopolize the market down the road.

That's a dramatically different situation than we had here. In this case, we had multiple grounds on which to base our liability claim, and they included the fraudulent procurement of the exemptions from the states, the contracts that they entered into to control portions of the supply, the actions within their own inventories that they took not only with respect to logs early on, but also with respect to what they did in the lumber market in terms of maintaining and building extraordinarily high levels of lumber inventory that made no sense from a business standpoint, were inconsistent with what CEO Steve Rogel suggested the company [Tr. 16] had done across the board in the annual statement in '98, yet were done with the purpose, we believe and we think the jury so found, with the purpose of maintaining upward pressure on the log markets by way of Weyerhaeuser continuing to consume very high levels of logs during this pertinent time period, even though it was a time when more sensible business would have said, "Let's cut all the overtime, let's reduce the amount

of production so as to bring our inventories, lumber, into balance with the market."

We also have the threats, we have the subsidy – log subsidy issue to Longview. Your Honor, our case does not, despite what defendant has claimed in multiple briefs, the gravamen of our case, is not the theory that they latched onto as constituting the entire thrust of our case which is raising rivals' costs.

Raising rivals' costs, their actions in the log market are the contributor to what caused Ross-Simmons to go out of business. The jury found – we proved that the relevant – that alder sawlogs were a relevant market. Question number one, answer: Yes.

We had a whole laundry list of – of means that they used to monopolize that market that were anticompetitive. And to answer the third question yes, as they did, the jury would have had to come to that [Tr. 17] conclusion. This is not – I remember in connection with the summary judgment argument, Your Honor, in January, that Mr. Simon, in his argument, was trying to focus primarily on lumber and avoid really dealing with the log market as the relevant market.

And you asked him at some point in that oral argument, you said – you interrupted and you said, "Mr. Simon, are you taking the position that you cannot monopolize the log market? That there is no such thing as monopsony?" And Mr. Simon correctly paused and said, "No, we're not taking that position." And, in fact, they cannot.

Monopsony is a recognized monopolization, or category of monopolization under the antitrust laws. We've got Reid Brothers in the Ninth Circuit, we've got the Sunkist case, we have cases involving the sugar beet market. The reality is that you can monopolize the input market. We had an abundance of proof on multiple theories and multiple methods

that they used to monopolize that market and characterize the cases strictly.

THE COURT: What do you say about Mr. Simon's argument that there's no evidence that the plaintiffs suffered an inability to get logs, it was only related to price?

MR. HAGLUND: Well, the fact is that if you look [Tr. 18] at the evidence in the case, you would see a decline in the volume of log purchases by Ross-Simmons between the period of 1997-'98, and it went down from there. The supply was relatively stable '96 through 2000, and in '01 it dipped down some.

I think there was evidence about inability that would spring from these categories of testimony. You heard testimony from some of the former Ross-Simmons' log buyers who testified that they had trouble buying logs in the market that was a function of several things when they – one of which was not having adequate capital to buy logs, which was directly a result of the predatory behavior of Weyerhaeuser.

Weyerhaeuser ultimately got Ross-Simmons so weak financially that it was unable to be a competitive player in the log marketplace, so they were unable to secure logs because of Weyerhaeuser, and ultimately they went out of business. So I disagree with his point that it's strictly an issue of the log price going up so high. It's also a function of the action they took that crimped and curtailed Ross-Simmons' ability to compete for a very sizeable portion of the log supply.

We also had considerable evidence from their people about the ways in which they used a number of methods, and I'm referring specifically to Exhibit 493 from [Tr. 19] Mr. Steve Carter, where it showed that if you looked at Western Oregon, they had the first column which was available for purchase by them under their oral right of first refusal position, that was 49 percent of the market. Another 13 percent

of the market was available through the trading arrangements they had.

Only 33 percent, if I'm recalling those columns correctly, showed that it was available for competitive bid. That crimped Ross-Simmons' ability to procure logs at the levels that they wanted, along with all the other evidence that we had.

Let me turn to the second point. If you look at the ABA – and this is their contention that somehow the issue regarding the State of Oregon and State of Washington was – is a basis for a new trial, if you look at the ABA book that was put out in 1999, it's the second edition of the pattern jury instructions for antitrust cases, there's a specific section with pattern instructions for fraudulent procurement of a patent.

That's not covered by Noerr-Pennington. That's not covered by the First Amendment, and we covered this in our briefing, Your Honor. This wasn't fraudulent procurement of a patent, but it was fraudulent procurement of an exemption, a special exemption from the government.

The case law cited in the footnotes in ABA '99 [Tr. 20] book, as well as cited then in our briefs, makes it clear that you can make the same analogy from another fraud procurement type of situation. We certainly had the evidence, I think, to go to the jury on that in this case.

The other argument I'd like to – the other point I'd like to reference, both as to the liability argument they made that I dealt with first, and then this other issue regarding the State, is we had two sets of claims in this case: Not only monopolization, but attempt to monopolize.

And we won as to attempt with an identical verdict from the jury on damages as to attempted monopolization and monopolization, and we're entitled, I think, to a very broad array of evidence in an attempt case, which we had here. Finally, I think as to damages we'll rest on our paperwork, Your

Honor. We're very confident that the damages award is properly supportable given the evidence that we had, and that the hypothetical analyses were done properly, and that the record is clear that the Asian flu and other factors were accounted for in the way the damages methodology was presented.

THE COURT: All right. I'll give you a couple minutes.

MR. SIMON: Thank you. I am going to focus in on the damages. We disagree on the other issues as well, but I'm going to use my few minutes on damages. Because, again, [Tr. 21] we don't have any response to our primary damages argument based on Inglis. And I want to make sure that if the Court has any questions for me on this point, I'm here to answer them.

THE COURT: I understand that. I will look again at Inglis. I have before but I will look at it again very carefully. Let me ask you this: Can't you waive a Noerr-Pennington argument? I don't recall that was ever presented to me before.

MR. SIMON: I don't know the answer to your first question. With respect to your second question, I believe, Your Honor, you are correct. And that is why I raise it to the attention of the Court right now, both as a constitutional argument and as – under the argument of plain error and manifest justice.

There was certainly no intent to waive it. Whether or not legal effect being waived, I suppose it's not something that I really can persuasively address at this time. But with respect to damages – because it is not just the amount of damages but the fact of damages under Inglis, and that's why under Inglis, the directed verdict of judgment as a matter of law is appropriate.

I'd like to make sure that it's clear that the plaintiffs' damages argument essentially has two steps. In step one, and

all of this is spelled out not only in our [Tr. 22] opening brief, but also responding to Mr. Haglund's point now in our reply brief.

That their damages argument has two steps. In the first step, all they do is calculate a log cost reduction number. That is, how much lower would log costs have been, but for their assumed anticompetitive conduct, and then they take that number, the log cost reduction number, and apply it to their second step, which is basically using that number, applying it to the financials, the actual financials of Ross-Simmons, and saying that if Ross-Simmons would have had lower log costs, then they would have had this much more in profit or this much more in going concern value.

THE COURT: Let's assume for a minute that there clearly was antitrust, anticompetitive conduct by the defense. How else would they have proved it?

MR. SIMON: Excellent question. That is answered quite specifically in our reply brief and I'll answer it right now, Your Honor. They would take what they did at a starting point and they would factor out the non-anticompetitive or neutral factors. And then it is a fair nonspeculative interest that what is left, if anything, are damages caused by the antitrust conduct.

That is precisely what the case law says to do. That is precisely what Inglis says to do. That's precisely what all of the other cases that we've cited to the Court [Tr. 23] and our opening brief and reply brief say to do.

There are statistical and economic tools to do precisely that, including regression analyses, which is designed for exactly that purpose.

THE COURT: I assume you agree that even if the damage calculation was wrong, the jury's finding on anticompetitive conduct couldn't be set aside on that basis only. It might

be a basis for a new trial or basis for remitter, but it wouldn't be a basis for a judgment as a matter of law.

MR. SIMON: I respectfully disagree, Your Honor, and here's why: Because part of their elements of an antitrust claim besides the elements of anticompetitive conduct and causation is also the fact of damage.

THE COURT: Well, assuming there's – the conduct is there, even a dollar award or damage amount would be sufficient to justify a verdict as against a judgment as a matter of law.

MR. SIMON: If there was the fact of damage, and that's the key distinction, Your Honor, between –

THE COURT: Okay. I'll look at that. I think I understand your argument. I'll look at Inglis again, and I appreciate the very able arguments and briefs of counsel. I want to tell you that I will give you a discussion very shortly. That decision also will include a decision with [Tr. 24] respect to the defendant's motion for sanctions against the plaintiffs' counsel.

I thank you all very much and we'll be in recess.

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